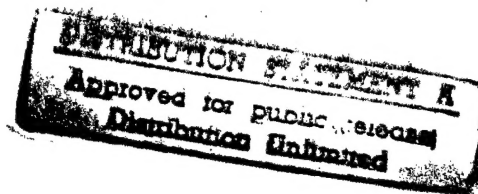


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12 January 1983



# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2357

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12 January 1983

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2357

### CONTENTS

#### INTERNATIONAL AFFAIRS

##### Briefs

Bulgaria-USSR Dounaitrans Transport Association	1
---	---

#### BULGARIA

Changes in Bulgaria's Economic System Lauded (Katalin Bossanyi, Miklos Pek; NEPSZABADSAG, 24, 25, 26 Nov 82)	2
---	---

Critical Review of Grain Yields, Quality of Bread (Vl. Cheshmedzhiev; STURSHEL, 24 Sep 82) .....	13
---	----

##### Briefs

Cooperation With Belgium	16
Original Digital Device	16
Foreign Trade	17
New Automated System	17
Device for Soldering Coils	18
System for Controlling Concrete Mixtures	18
System for Teleprocessing	18
Vacuum Peeling of Vegetables	18
New Floorings	19
Poznan Fair	19
Method and Equipment for Extracting Copper From Slag	19
Bulgaria-Greece Power Line	20
Tourism Development	20

#### CZECHOSLOVAKIA

Production Structure Distortions Discussed (NEUE ZUERCHER ZEITUNG, 26 Nov 82) .....	21
--	----

Zdobina Reports on Tax Law Amendments for Services (Editorial Report) .....	24
--	----

## GERMAN DEMOCRATIC REPUBLIC

- Energy Tasks for Bezirk-Managed Industry, Food Industry Listed  
(Axel Koppatsch; ENERGIEANWENDUNG, Sep-Oct 82) ..... 27

## HUNGARY

- Economists Discuss Reform's Future  
(HETI VILAGGAZDASAG, various dates) ..... 32

Reviews Subject Using New Angles, by Pal Juhasz  
Szavay Warns Against Recentralization, by Istvan Szavay  
Erdos on Prices, Competitiveness, by Tibor Erdos

- Situation of Consumer Goods Supply Discussed  
(Miklos Andriko; PARTELET, Nov 82) ..... 40

- Effects of Changes in Terms of Trade Examined  
(Mrs Janos Juhasz; FIGYELO, 18 Nov 82) ..... 46

## POLAND

- Difficulties of 1983 Economic Plan Reviewed  
(Henryk Chadzynski; ZYCIE WARSZAWY, 29 Nov 82) ..... 49

- November Production Data Released  
(TRYBUNA LUDU, 13 Dec 82) ..... 52

- Analysis of Price Structure Published  
(ZYCIE GOSPODARCZE, 14 Nov 82) ..... 56

- Housing Construction Problems, Polls, Development Described  
(Various sources, various dates) ..... 60

Current Housing Construction Problems  
Housing Public Opinion Poll, by Mieczyslaw Wodzicki  
Increased Single-Family House Construction, Edward Salwerowicz  
Interview

## ROMANIA

- Decree on Department for Construction Abroad Amended  
(BULETINUL OFICIAL, 1 Nov 82) ..... 71

## YUGOSLAVIA

- State Support of Unprofitable Enterprises Discussed  
(Selimir Janicijevic; DANAS, 16 Nov 82) ..... 94



## INTERNATIONAL AFFAIRS

### BRIEFS

**BULGARIA-USSR DOUNAITRANS TRANSPORT ASSOCIATION**--The Dounaitrans Bulgarian-Soviet Transport Association contributes to an adequate exploitation of the fleet and the ports along the Danube in transporting foreign trade cargoes between Bulgaria and the Soviet Union. Five years have passed since the first Soviet ship Rousse and the Bulgarian Vassil Aprilov set out for the first time with barges of the two countries under the Dounaitrans flag. So far more than 2,500 joint trains have sailed under this flag. The ships of both countries have transported 2,900 thousand tons of cargo. Demurrage of Soviet ships in Bulgarian ports has been reduced 2.5 times and the need of barges has been reduced 1.7 times. The productivity of the Bulgarian ships has increased by 30 per cent and the economic effect as a result of the increased transport capacity of the ships of the two sides comes up to 4.2 million roubles. The Bulgarian-Soviet Association helps regulate the movement of tugboats between Bulgarian and Soviet Danubian ports according to a unified schedule. The working body of the association is the board of directors with headquarters in Rousse and a representative buro in Izmail, USSR. Members of the Council which is the leading body of Dounaitrans are the general directors of the Soviet Danubian Ship Company and the Bulgarian River-going Ship Company, as well as the directors of the ports in Rousse, Lom, Izmail and Reni. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

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## CHANGES IN BULGARIA'S ECONOMIC SYSTEM LAUDED

Budapest NEPSZABADSAG in Hungarian 24, 25, 26 Nov 82

[Serialized article by reporters Katalin Bossanyi and Miklos Pek: "Economic Changes in Bulgaria"]

[24 Nov 82 p 6]

[Text] Historical empathy and diverse relations of culture and friendship link Hungary to Bulgaria, a country whose size and geographic and natural conditions are similar to ours in many respects. Among the CEMA countries today, the concepts of economic management and regulation in Bulgaria seem to come the closest to those of Hungary. As a result of the new economic efforts--or change of approach, as they call it--announced in 1979, and implemented since then in several stages, the living standard has risen significantly, the balance of trade has improved, output has increased, and the managements of the enterprises and farms have become more flexible and market-oriented. In spite of the openness of its foreign trade, Bulgaria in many respects is one of the most balanced CEMA countries. In our series of articles, we wish to report on these favorable changes.

### 1. Reform's Positive Effects on Foreign Trade

This year Bulgaria is again maintaining a relatively high rate of economic growth, which is noteworthy in the present state of the world economy. According to Bulgarian assessments, gradual realization of the new efforts in economic management and regulation has played a decisive role in the results. The essence of the economic reform can be summed up briefly as follows: parallel with the growing independence of the enterprises, both the domestic- and world-market forces affect their operations more directly. All this has warranted the introduction of new methods in management, in evaluating the work of the production and marketing organizations, in incentives and also in the price system.

#### Less Debt, More Export

The changes in the mechanism of foreign trade are especially significant. In comparison with the stresses in the second half of the 1970's, the growth of foreign indebtedness has not only been halted successfully, but also the amount of foreign indebtedness has been reduced significantly, while also Bulgaria's balance of trade with capitalist countries shifted to a surplus. When interpreting these results, one must bear in mind that Bulgaria, in the same way as Hungary, is an open economy. In Bulgaria's foreign trade, trade with the socialist

countries is decisive. In export, 74 percent goes to the socialist countries, predominantly to the Soviet Union. But in recent years the Bulgarians, while maintaining the proportions, rapidly expanded their export also to the industrially developed countries and especially to the developing countries. It will be worth while to examine more closely how and by what methods they have achieved these results.

Aleksander D. Parushev, one of the directors of the Ministry of Foreign Trade, said: "Trade with the socialist countries, and within this primarily with the Soviet Union, is the basis of our economic security. But at the same time it is also obvious that the phenomena of capitalist crisis have affected also us painfully. To be able to ward off the permanently unfavorable effects, we had to make changes in foreign-trade work. This has played a decisive role in the change of economic approach announced in 1979. Despite the results, today I still rate our situation only as slightly better than average, and further efforts--consistent continuation of the reform--will be necessary to maintain our present position."

According to the information obtained at the Ministry of Finance and the Financial Institute, the rapid improvement of the balance of trade can be attributed to the fact that Bulgaria--by employing a flexible marketing policy, improving the commodity structure and abandoning uneconomical export--has been able to improve the profitability of export to the developed capitalist countries, simultaneously keeping the import from these countries at a moderate level. New, alternative markets have been developed, and relations with the developing countries have been expanded rapidly. At present these markets not only offset the deficit in the balance of trade with the developed capitalist countries, but they even leave a certain net surplus in convertible foreign exchange. The country is utilizing effectively the reexport possibilities stemming from its favorable conditions--geographic location, transit roads, etc. Today reexport provides 10 percent of the foreign-exchange earnings.

Perhaps the most edifying for us is the successful expansion of export to developing countries. Stoyan Enev, a counselor to the deputy minister, explains the details:

"We decided already 10 years ago to change our marketing strategy in developing countries. Although at first not every deal was profitable, it seems that we switched in time. We developed advantageous relations primarily with the countries of the Middle East and North Africa. From 1976 through 1979, our export to this area trebled, reaching 2.0 billion dollars a year, 12 percent of the total turnover. We would like to preserve this high growth rate also under the present plan period. So far our export has increased at an average annual rate of 19.3 percent."

#### Good Relations With Developing Countries

What does Bulgarian offer the developing countries? One-half of the export consists of machinery and equipment. The proportion of food, particularly of meat, is high. The export of manufactured fertilizer is significant, and intellectual export is rapidly expanding. At present, 8,000 to 10,000 specialists are working, teaching or doing research in the Middle East. The role of export bids for complete industrial plants and turnkey construction is increasing, especially for industrial and agricultural facilities and for construction and

installation work. Last year the Bulgarians concluded 150 new contracts of this type. They will strive also in the future to develop permanent production relations, and therefore they are organizing even more joint ventures and are expanding the joint enterprise form that can be easily adapted to the laws of the host countries. Ten such enterprises have been formed so far, and negotiations are underway on 20 more. A new activity is the export of systems, especially the transfer of agricultural know-how, adapted to the conditions of the developing countries. The Bulgarians are exporting also agro-industrial equipment, even on a buy-back basis.

We asked the counselor whether he saw any possibility of joint efforts by Bulgarian and Hungarian exporters in the developing countries.

"Certainly. It is my personal opinion that up to now we have tapped only a small proportion of the mutual advantages that such cooperation offers. I see great promise especially in joint intellectual export. But it would be advisable to take advantage also of the possibilities inherent in the division of labor and specialization."

Improvement of Bulgaria's balance of payments has been enhanced by the considerable changes in the regulation of foreign trade. The persons we talked with expressed this as follows: "We are striving to expose the enterprises directly to the forces of the world market, and to provide export incentives not only in the foreign-trade organizations, but also in every phase of production." The enterprises now are able to resort to several different central funds in order to increase the effectiveness of export. For example, if additional export requires additional import, an interest-free loan may be obtained for the import. All those who export to the most important markets or gain new markets receive trade-policy aid. But at the same time sanctions are applied, very consistently but only by economic methods, if a production cooperative falls short of its export plan through its own fault. For example, the wage fund is reduced by 20 percent.

#### Direct Foreign-Exchange Incentive

However, Khristina Vnecheva, a section chief of the Financial Institute, informed us about the most noteworthy initiative. Enterprises are being offered a direct foreign-exchange incentive. Which means that economic organizations may freely dispose of one percent of their foreign-exchange earnings if they fulfill their export plan. And if they overfulfill the export plan, they are allowed to retain 50 percent of the foreign-exchange earnings in excess of the plan. This foreign exchange may be used, for example, to pay for additional import or for investment. But this works the other way as well: if they fall short of their export plan, or if their import increases without justification, the state will not finance this, and the economic organizations must use their own foreign-exchange fund for this purpose.

We were given an illustrative examples of how this works. Recently one of the wholesale enterprises made a mistake in its market survey and was obliged to use its own foreign exchange to import additional detergents. This year the outlined method will be developed further, and an attempt will be made to link completely the export and import incentives. Semo Karavostev, the director of the Financial Institute, added this comment:

"In Bulgaria there is very strict management of import. A part of this, for compelling market reasons, is of an administrative nature, but we are striving to increasingly employ economic instruments also here. At present there are six different import programs in force."

We should mention here also Alexander D. Parushev's comments regarding Bulgaria's efforts to achieve that machinery imported from the developed capitalist countries on credit is paid for in exported products, or from the proceeds of the sale of these products. In other words, the state would not have to put up the money for the investment, and the investor would have an incentive linked to a short payoff period.

The first such agreement was concluded recently: Bulgaria is buying a number of trucks from Volvo, on favorable financial terms. The credit will be serviced from the foreign exchange earned in international trucking. Negotiations for such deals are proceeding also within the production branches. In conjunction with all this, the director emphasized:

"In new borrowing we would like to learn from the bitter experience of others and limit such relations primarily to imports of technology. We expect the expansion of domestic consumption from the investments that were begun earlier and are now nearing completion."

We will not be detracting from the obvious results of the changes if we mention that in practice these efforts are being realized in a very contradictory manner.

#### Mechanism Must Be Perfected Consistently

In the opinion of Rumen Georgiyev, deputy chief of the Bulgarian Communist Party Central Committee's Department of Economic Planning, the present headache of economic management--reflected also in the much discussed January speech of the chairman of the council of ministers--is that, for example, the broad incentives to conserve raw materials and fuel are not producing the expected favorable results. (Yet 30 percent of the saving can be used to augment the wage fund!) A similar problem is the improvement of quality, and also the fact that so far Bulgaria has not succeeded in finding a suitable organizational and incentive framework for more effective cooperation among the research, production and marketing organizations and for their comprehensive incentive to speed up the practical application of the progress in science and technology. The causes of this, he said, must be sought in that the methods and normative regulation for such a comprehensive incentive still have not been worked out. Which also indicates the solution: the mechanism must be perfected further, in the spirit of the new efforts.

To all this we should add the following: Everyone we talked with unanimously agreed that a mutual exchange of experience was necessary. They realized that, in the course of reforming economic management, neither Hungary nor Bulgaria wished to develop a model that would be applicable to other countries as well. But since our efforts have many common features, it would be fruitful to become acquainted with each other's results and to profit from each other's mistakes.

[25 Nov 82 p 6]

[Text] 2. Advantages of Economic Decentralization

The most striking feature of the modifications introduced gradually since 1979 is that they wish to replace with the methods of economic regulation the centralized management of the economy by administrative means. Although on a limited scale, compulsory plan targets are nevertheless being retained, and also various organizational changes are being made in an attempt to bring producers and consumers closer to each other. The producer-price system has been based on the world market, and wage regulation has been modified so that the rate of the annual wage increases depends on the profit, in a ratio of 1:1. In this way the direct profit incentive, profit and loss accounting, and self-financing have shifted to the center of attention in the enterprises' operations. Assessments differ also in Bulgaria as to how successful the attempts have been to apply these progressive principles to practice. On the example of a few typical large-scale plants, we would like to present the results to date, and also the problems and stresses that arise in the course of production.

Fewer Plan Indicators

Sadovo. The APK or agro-industrial complex covers 12 villages and farms on 12,000 hectares. It is growing mostly wheat, various forage crops, and corn. Here is the country's best-maintained apple orchard. But mint, hazelnuts and walnuts also grow here. A proportion of these is processed into liqueurs, respectively the shelled hazelnuts are sealed in cans; the organization is an industrial one only to this extent, otherwise it is engaged in traditional farming. The average yields per hectare are 5 tons for wheat, and 8.5 tons for corn. The net profit per hectare is 2400 leva, well above the okrug average and even the national average.

While listing these figures with understandable pride, deputy chairman Stefan Dinov does not conceal the fact that they would be much better off if they were not obliged to grow so many different crops, and instead could specialize in the crops that give the highest average yields. (By way of explanation it should be noted that in Bulgaria the okrugs are self-sufficient in farm products, and the APKs are obliged to grow a wide assortment of crops.) Livestock production is the other large branch of the agro-industrial complex. A modern cattle farm, with a feed-mixing plant, was completed recently. To this a small plant is now being added, to process the carcasses of the animals that die. The APK obtained a loan to finance its large investment, but it is building the processing plant from its own resources.

According to the deputy chairman, the most significant change is that now they have to fulfill only five centrally determined indicators, whereas in the past they had to cope with several hundred plan targets. This does increase the APK's independence, but this greater independence becomes meaningful only if the plans are overfulfilled. (Again a brief explanation: in contrast with the national economic branch plan, the production plants prepare their own plan, the so-called counterplan. Over and above the targets expected centrally, the counterplan contains also the additional performances that the economic unit pledges, but this pledged overfulfillment cannot be incorporated into next year's plan. This is a safeguard against a rigid base-period approach, and it



also protects the producers from the fluctuations of the results in good and bad years. The economic unit receives a share of the pledged overfulfillment included in the counterplan, but it gets to keep the overfulfillment of the counterplan itself.)

In this APK the pledged overfulfillment this year will affect 20 percent of the profit. In the opinion of chief economist Margarita Korudzheкова, a decisive factor in this has been the fact that they recognized in due time that the principle "production must be profitable" had to be interpreted more flexibly. What happened was that in recent years this APK, similarly as the other farms, stopped growing beans and lentils, which led to nationwide shortages. Now they are trying to produce profitably mostly by cutting their production costs. But the most spectacular change has been the introduction of a system of self-supporting brigades with profit and loss accounting.

#### The Brigade a Small Enterprise

Peter Veleв's horticultural model brigade has 70 members who care for 6,500 hectares of apple and pear orchards. The brigade has a large degree of independence. It gets everything it needs to fulfill the tasks set by the APK, but it is entirely up to the brigade how it goes about to ensure fulfillment, how much materials it saves, how the members of the brigade are deployed, and what incentives are employed. The brigade has 14 machine operators, a spraying group, and a steward (his job involves mostly bookkeeping). The brigade is managed by a five-member committee that is supervised by the brigade council comprising the 13 best workers. The APK developed this method jointly with Angel Grezden, a section chief of the Horticultural Research Institute in Plovdiv. It looks so promising that they want to spread it throughout Bulgaria by the end of 1984. We interviewed the brigade leader.

[Question] How has the new method affected your pay envelope?

[Answer] Earlier in an average year we earned 1300-1500 leva. Now the pay exceeds 2000 leva. Last year we also got a 20-percent bonus, because we had overfulfilled our plan by 200,000 leva. Economization played the major role in this. We set aside a proportion of the additional profit for a rainy day. The rest was divided among the workers, in a differentiated manner.

[Question] Are there significant differences in pay within the brigade?

[Answer] Yes, there are. And this was perhaps the hardest thing to accept. But now everyone agrees that distribution on the basis of performance is the fairest solution.

[Question] You have also social targets. What does this mean?

[Answer] For example, we check what is not available on the market. And then in our spare time, on APK land that is not subject to planning, we undertake to grow it. In this way we are now supplying the members of our brigade with beans, and the APK buys the surplus.

(Incidentally, this is not yet the household plot. In Bulgaria the household plots are on joint land, cultivated jointly. This APK, for example, is now growing forage crops by this method. But it is possible to cultivate a garden

around the house or the weekend cottage. The new type of brigade organization with profit and loss accounting now provides more favorable conditions for this as well. Margarita Korudzhekova notes the the Velov brigade closely resembles a comprehensively organized small enterprise which, in spite of its independence, fits well into the large organization. In her opinion, this leads to the conclusion that the brigade's independence should be broadened further, the principal branches of production should be excluded from its management, and the brigade should report directly to the management of the APK. In other words, also the obstacles stemming from the rigid organizational structure should be eliminated.)

But how does internal profit and loss accounting work in industry? And how does it affect the direct profit incentives of the workers and managers?

Plovdiv. The Blagoyev Nonferrous Metallurgical Enterprise. When entering its plant one can read on its gate the pledge "We will fulfill without failure the targets of the 8th Five-Year Plan." But on the other side of the gate you read "How we live depends on how we work." This plant is a member of a larger economic organization, a DSO [State Economic Association], that operates several mines and processing plants. Here, in addition to the processing of copper and the production of powder metallurgy products, also a large-scale new investment project is underway that will expand capacity to meet the needs of the electronics industry. The enterprise likewise consists of brigades with internal profit and loss accounting. Each brigade is organized for a stage of the technological process, and its size varies accordingly.

In the lead shop we talked with the 18 members of Din'o Vilchev's brigade. They told us that each day, before the start of the shift, they evaluate the performances of the previous day and jointly decide who is entitled to how much pay. Average annual pay is between 3000 and 3500 leva, but here again the differences within the brigade are considerable. They get their bonuses on the basis of the amount of materials saved, and of the introduction of new organizational methods. For example, they have just succeeded in saving a considerable amount of time on one of the operations, for which the section has received a bonus of 600 levas. Thus incomes exceed the national average by about 30 percent. In addition to which there is also the opportunity to cultivate a garden. The plant has land of its own, and the workers can requisition from the trade union a plot of 0.1 or 0.2 hectare, on which they grow cucumbers, tomatoes and green peppers.

#### Limits of Independence

Economic director Vasil Nachkov contends: "In my opinion, in the brigades we have had more success in providing personal incentives, in linking wages to profit, than in the enterprise as a whole. This stems from the fact that our independence is limited. After all, there is the association over us. What is new in our management is that since 1979 we not only have to produce but must also sell our products. However, the results of foreign-trade activity are divided within the entire economic organization, even though we are operating far more profitably than our sister enterprises. This awkward situation results in that middle managers, for example, receive their share of the additional profit only at the end of the year, which is stifling their initiative in solving day-to-day problems. I believe that if we had more independence, we would be able to implement more effectively the commendable principle that wages must reflect personal performance as well as the profitability of the economic organization."



Similar views were expressed also by Khristo Chernev, the economic director of the disk-drive factory in Plovdiv, a member of the ISOT Electronics Association. An indication that also in Bulgaria internal profit and loss accounting, and the direct profit incentive have focused attention on the same organizational problems that are now topics of debate in, for example, Hungary as well.

#### Organizational Question Marks

Noteworthy for this very reason are the comments that Rumen Georgiyev, deputy chief of the BCP Central Committee's Department of Economic Planning, made on this subject. He said that the experience with internal profit and loss accounting were generally favorable, but there were also some undesirable offshoots. In some instance wages rose faster than productivity, and therefore the normatives for the formation of the wage fund were modified somewhat. Differentiated wage increases would still be possible, but unwarranted differentials between branches would be prevented. He added that the mechanism was understood "above" and "below," but the intermediate organs were indifferent. He noted: "We would like to learn, for example, from your experience. Therefore we do not wish to wait 10 to 15 years for organizational changes that will reinforce profit and loss accounting and will provide a joint economic incentive for the economic units and the intermediate organs."

Bulgaria's economic management, now undergoing modernization, is confronted with the same dilemma as we are: how to find the delicate balance between independence and the realization of central national economic tasks, between personal incentives and responsibility on the one hand, and democratic management and supervision on the other.

[26 Nov 82 p 6]

#### [Text] 3. Living Standard, Atmosphere

As a result of the efforts at reform unfolding in recent years, Bulgaria is developing in better equilibrium and faster than its neighboring countries. What does all this mean for the population? How has the living standard changed, and how much attention is being devoted to the quality of life?

Not quite three years ago, we had visited Bulgaria's seashore as tourists, and not even the beautiful scenery, quiet relaxation and pleasant people had been able to dispel the gloom caused by the long vegetable queues, empty butcher shops and the shortage of consumer goods. Well, whoever visits Bulgaria now will find things different. There is a radical change in the population's supply with food and consumer goods. And this applies not only to the preferential regions visited by foreign tourists and to the capital, but to small towns and settlements as well.

#### Improving Supply, Abundant Shopwindows

Admittedly, in addition to the increased output and wider assortment, also the 10-percent increase of retail prices has contributed to the improving supply. But we were told at the Financial Institute that wages and social benefits have been increased gradually to compensate for the higher prices. But wages are

differentiated, in accordance with the spirit of the economic reform. The higher incomes are reflected in changing consumption habits. The consumption of beef and mutton has declined, while the demand for poultry, pork and fish has increased. In the same manner, the number of coffee drinkers has declined, while the number of those who prefer tea is rising. But the essential thing is that now you can get meat and cold cuts whenever you want, although at a higher price. As a result, many foreigners--Yugoslavs, Romanians and Greeks--are coming to Bulgaria to shop. With slight malice, the locals regard this as an indication of a rise in their standard of living.

There is a gratifying increase in the number of retail outlets. The per capita floorspace of stores has increased from 0.25 to 0.33 square meter. An interesting initiative is the expansion of bazars. The rows of open stalls on the streets go well with the Mediterranean climate and the historical traditions. The enterprises' retail network has expanded rapidly: the foodstores and espressos operated by the various factories and plants serve primarily the convenience of their own workers. More color has been added to this network this year: the enterprises, one after the other, are opening also repair shops and service outlets.

Window-shopping along Zhdanov Street in Sofia or Vasil Kolarov Road in Plovdiv--they are comparable to Vaci Street in Budapest--it is striking to see the abundance of the latest fashions in knitwear, dresses, shoes and Western cosmetics and toiletries, in addition to clothing that meets the average demand. Our guides told us that a proportion of the luxury items were imported under coproduction or barter agreements, respectively foreign companies lease and stock the individual stores. (Although the prices are high, you pay in leva.) Today there is no shortage of essential consumer goods in Bulgaria. What the people are saving their money for are cars, color TV, automatic washing machines and hi-fi equipment. Upon reading the price tags--and especially after learning from the report on plan fulfillment for the first three quarters of this year that the average monthly pay is 193 leva (1 lev = 16.70 forints), we were curious to know how one could afford such a standard of living on so little pay.

#### Self-Sufficiency in Fruits and Vegetables

The surprising answer was supplied by Khristina Vucheva of the Financial Institute: a major proportion of the urban population, including blue-collar workers and employees, are self-sufficient in fruits and vegetables. This stems partially from the fact that in Bulgaria the industrial enterprises also can own land, which the workers cultivate. In addition, there is much fallow land that is unsuitable for large-scale farming. Anyone can lease such land from the Central Council of Cooperatives, grow vegetables on it, without having to pay taxes. In the same way it is possible to rent abandoned buildings and sheds, to raise hogs and sheep in them. Since the health authorities have refused to allow private individuals to trade in live animals, purchasing has been solved in an organized manner, but again there is no income tax on the profit. However, the hiring of outside labor is not permitted, and usually the entire family cares for the animals. For example, 30 percent of the pork is produced in this manner, and a substantial proportion of the mushrooms, melons and pumpkins is procured under this system.

The Bulgarians are experimenting with interesting ways to improve the supply of consumer goods, in combination with the utilization of scrap. The industrial enterprises are obliged to make from their scrap some kind of items for public consumption. A separate production unit is formed for this purpose within a large

enterprise, and the enterprise gets to keep the profit, 50 percent of which may be allotted to the wage fund or the cultural and social services fund. This year, additional consumer goods worth 1.0 billion leva are being produced by this method and shipped to the stores. For example, the automobile factory in Botevgrad is making sinks out of its scrap nickel alloy, a large microelectronics factory is making children's toys, the Blagoyev Nonferrous Metallurgical Enterprise is manufacturing outdoor furniture, and we could go on and on listing more examples. (There are, of course, also peculiar situations. For example, the Plovdiv disk-drive factory is making musical door chimes, at a loss.)

It is interesting that such production sidelines help to generate competition, which also the experts at the Financial Institute regard as essential. The small local-council and local industrial enterprises that normally make such products as their principal activity now have to hustle not to be stuck with unsold products. One of the persons we talked to did not deny that some features of this system do not make economic sense. In an attempt to remedy this situation, the local industrial enterprises that provide goods and services for the populations are now getting tax exemptions. This is not simply a concession, because these enterprises must support themselves from their profits.

#### Additional Services

At party headquarters, deputy department chief Rumen Georgiyev called our attention to the efforts being made to improve services for the population. Up to now the Bulgarians have attempted to solve the shortages mostly through moonlighting. A different solution was tried in Sliven in 1980: the service enterprises organized separate bureaus for moonlighters, and this year also retired craftsmen are being included in providing repairs and services. So far 3000 craftsmen have concluded civil-law contracts with the 88 bureaus. They are willing to undertake mostly the repairing of household appliances, and construction and installation work. (The Bulgarians do not intend to fill the white spots on the map, where services are lacking, by expanding the private sector, although lately they have been licensing small shops where the proprietor may work alone, without hired help.)

All these changes were reflected in our discussions not only with officials, but with private individuals as well. The Bulgarians are living much better than even two years ago, and they are truly pleased with the improvement.

In spite of the undeniable rise of the living standard, it would be a mistake to fail to mention that also here the housing situation is one of the greatest problems, especially for young people and in the larger cities. In comparison with the dynamic housing construction program in years past, housing construction has slowed down somewhat. (The plans in recent years called for the construction of 70,000 housing units a year by the state, but there was a shortfall last year; there probably will be one also this year.) At the same time, private housing construction is being subsidized and is limited not by the effective demand, but by shortages of materials. The cooperative form of housing construction is familiar also in Bulgaria. The members of the housing-construction cooperatives get larger loans, and they participate in the construction work. It should be noted here that the rent for state-owned housing is practically nominal. In spite of this the practice is widespread that the tenant buys the housing unit within a few years after moving in, and the government is encouraging this practice through loans at favorable interest rates. This is why more than 80 percent

of Bulgaria's housing stock is privately owned. Our guides told us that the typical Bulgarian prefers to live in his own home.

We visited one of the apartments in the suburbs of the capital where 150,000 housing units are being built, in several stages, for young people. Our host, Borislav Oranliyev, and his wife are young economists. They were able to acquire their three-room apartment with the help of their enterprise. In exchange, they have pledged to remain with the enterprise for at least 10 years. Preslav Nachev, a computer technician, told us of another way one could get an apartment. He undertook to work for 8 months as a skilled worker for one of the construction enterprises, and in this way he received an apartment within a year. He also told us that the average apartment had 74 square meters of living space, and that the objective was to achieve one room for every family member by 1985.

### Farewell With Bells

The multistory apartment buildings of the housing project for young people are faced with white stone and extend toward the slopes of the Vitosha that are rust-brown in the late autumn sunshine. This mountain and its vicinity are a favorite picnic area for Sofia residents. For how the residents of the capital spend their weekends is at least as typical of the qualitative improvement in their living standard as are, say, the abundant shop windows. The elder people tell us that they prefer to spend their leisure hours puttering around their weekend cottages. The younger people go on outings. For example, to the artificial lakes in Pancharevo, 10 kilometers away, or to Bankya, a spa renowned for its mineral springs. You can rent a cottage at either place, at low cost, and subsidized meals are available. But the majority prefer to do their own cooking, the typical kebabche roasted over the embers, or pastry filled with salted sheep's cheese known as banitsa. The crystal-clear mountain air is filled with special bittersweet aromas: in autumn, entire Bulgaria smells of fried peppers. And there is the Vitosha for those who prefer a shorter outing. The Alpine rest huts are being developed at a rapid rate in recent years, the ski trails are being modernized, and a new rope tow is under construction. Because private motor vehicles have been banned from here on weekends, buses bring the weekend crowds to the lodges. From there carefully maintained tourist trails lead to the rock glaciers, peculiar formations from the Ice Age.

An outing usually ends at the foot of the mountain, at the memorial garden built to commemorate the Year of Children. Memorials can be built in various ways. This one is an original idea: the bells of 110 nations have been installed in a stone wall. We say farewell to Bulgaria, this country of a good atmosphere, listening to the different yet harmonious sound of the many bells.

1014

CSO: 2500/76

CRITICAL REVIEW OF GRAIN YIELDS, QUALITY OF BREAD

Sofia STURSHEL in Bulgarian 24 Sep 82 p 1

[Article by Vl. Cheshmedzhiev: "Bread That is Thrown Away--A Feuilleton That Begins with Statistics and Ends with Verse"]

[Text] Autumn Balance Sheets

Autumn is a season for counting your chickens. That is well known.

Grain is economics, politics and strategy. That is well known, too.

It has likewise become known that this year's grain crops of wheat and barley have by now moved across the platform scales and that Bulgarians have harvested an average 464 kilograms of grain per decare under crops.

This record figure requires comment.

Specialists in the matter estimate that the moment harvesting takes place in the month of August the grain that falls among the stubble will weigh between 50 and 100 kilograms per decare. That is exactly what happened this summer on a quarter of the cropland.

Specialists in the matter remind us, moreover, that planting was late last fall on a like portion of the cropland. And yields from November planting, they assert, automatically decline another 50 to 100 kilograms per decare.

Another 40 to 50 kilograms of grain (for example, in the okrugs of Gabrovo, Pernik, Silistra, Sofia . . .) were lost in advance because about 90 percent of the tracts were seeded with second-grade seed. . .

We could go on with these technical estimates of the unproduced grain that hasn't been put into the "granary" and that won't become bread or steaks. Unfortunately, it doesn't cease to be economics, politics and strategy!

Bulgarian soil has demonstrated its readiness to yield at least half a ton of grain from every decare, provided we know how to claim it. . .

## What Is Different?

In 20-odd years, so say the statistics, average wheat and barley yields have doubled. But if we make a quinquennium-by-quinquennium comparison of each okrug with itself, we discover that the okrugs of Vidin, Burgas, Sofia city, Plovdiv, Mikhaylovgrad . . . are wandering aimlessly or marking time. Other okrugs have even gone backwards (Yambol by 50 kg, Pernik by 20 kg, Vratsa by 5 kg etc.), even though they received the same expensive machinery, fertilizers, chemicals etc.

In the selfsame okrug (no matter that it has been praised, overpraised and given prizes) the difference between the average yields at individual APK's [agro-industrial complexes] may be twofold. And at the selfsame APK the difference between the yields of individual brigades are even as much as threefold. Everything is identical for the two neighbors--climate, soil, varieties, equipment. "Was there a hailstorm, then?" "No." "In that case, what is different?" "What is different is the people, of course. And mostly the managers."

But let us drop the matter, however instructive it may be.

## The Present Day

To prepare cropland for seeding, it must first be cleared of other crops. Hence it is clear that the okrugs of Yambol, Shumen, Plovdiv, Varna, Lovech, Burgas . . . are lagging behind. (And we have seen that planting in November means 50 to 100 kg less grain.)

The delivery of seed is already overdue. Seed grading will be late in Shumen, Varna, Pernik, Burgas. . . (And we understand that this ordinarily means another 10 to 50 kg of grain not produced during the next harvest.) Once again we will sow large tracts with second-quality seed, after which we will manure them, fertilize them, spray them from the air by plane and . . . what will we reap? Naturally, what we sowed--a second-quality crop. Putting a setting hen on addle eggs makes no difference.

## The Finished Bread?

Speaking of potential or actual grain losses, there is no harm in recalling the social labor in the form of finished bread filling the garbage cans.

Why do consumers shamelessly throw away yesterday's stale bread instead of eating it or instead of raising chickens on the balcony? Why aren't health talks given so that they will understand that stale bread is more beneficial than fresh and consequently (through autosuggestion) they should perceive it to be tastier. The moment people hear that at such and such bakery the bread is kneaded by hand, there is at once a lineup of conscienceless customers in front of it. The most unscrupulous bread-eaters come from dozens of kilometers away . . .

NAPS [National Agroindustrial Union] employees assure us that even they get into such lines. At fault for the poor quality of bread, they continue, are the

Cereals and Feed Industry DSO [State Economic Trust] and the Bread Production and Confectionery Directorate of the MVTU [Ministry of Internal Trade and Public Services]. Millers and bakers are paid by the tons of flour and the loaves of bread rather than by some criteria of taste. And as for grades, all are equally good!

So "equally" that a person may have doubts. ...

Actually, there is something /almost/ [word enclosed in slantlines printed in boldface] equal--the prices at which the wheat is bought. And the grain producer begins to get excited only over quantity; it's a matter of indifference to him whether he sells grain for baklava or for feeding broilers.

The bread makers, as can be expected, are not silent, either. They say that the yeast is no good, that the mills operate erratically, that the wheat has to age before being made into bread but there is no place or time, that much of the flour doesn't contain the necessary gluten to prevent the bread from drying out as soon as it cools.

As can be seen, the question is complex and controversial.

The time seems to have come, now that record grain yields have been achieved, to give thought as well to quality, which would grow again into quantity. So much social labor in the form of bread should not be conspicuous in the garbage cans. (Our newspaper has touched on similar problems in the following articles: "Why Bread Doesn't Smell Like Bread," in No. 1731; "Our Daily Bread," in No. 1770; "There Are Pastries, Aren't There!," in No. 1835; "Not the Hungry, but the Sated," in No. 1832 etc.--Editor's Note.)

All of us, including the scientists who create the grades and the scientists who create the processes for the quick (i.e., bad) kneading of the dough, have the same point of view; we all dream of putting on our table bread

elastichen i dukhav, napraven s merak,  
pukhkav i naplasten kato kozunak.  
[that is springy and smells good, that they lovingly bake,  
That's fluffy and layered like an Easter cake].

(We promised to end with quasi-verse.)

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CSO: 2200/24



## BRIEFS

COOPERATION WITH BELGIUM--Belgian business circles took great interest in the Days of Bulgarian Economy, Science and Technology organized only recently in Brussels. Many businessmen, directors of large concerns, senior executives of the Ministry of Foreign Trade, representatives of scores of firms from Belgium, and Holland and Luxemburg came together on this occasion. They were acquainted with the capacities of the technologies and production equipment in Bulgaria. Bulgarian general directors and other specialists from the economic corporations delivered reports on problems connected mainly with machine-building, metallurgy and construction. The Bulgarian Days in Belgium will contribute to the broadening of trade, mutual assistance, scientific and technical cooperation between the two countries. Bulgaro-Belgian economic relations date back to the beginning of the century when Belgium delivered the first tram to Bulgaria and built the first hydro-electric power station. Today the representatives of the Belgian financial and business circles are greatly interested in the setting up of joint firms in Bulgaria and Belgium. A number of joint initiatives have been launched. The colour TV sets produced as a result of industrial cooperation between Bulgarian and Belgian enterprises are being well received on the international market. The accumulated experience is yet to be made use of in other spheres such as electric household appliances, production of computers, pharmaceuticals, chemistry and the exploitation of recently discovered raw materials in this country. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 12]

ORIGINAL DIGITAL DEVICE--An original digital device for the control of concentration of water vapour in gaseous media has been designed at the Central Laboratory for Electrochemical Current Sources with the Bulgarian Academy of Sciences. It is for the first time in a socialist country that an apparatus for constant and fully automated measuring of moisture traces in gases has been put into operation. The hydrometer is based on an electrochemical principle. The sensor is small and works well without being influenced by the environment. The pressure and the temperature of the gas mixture. For the time being the device has been included in the list of inter-academy exchange of original apparatuses between the academies of sciences of the CMEA member countries. The final tests are now underway of a small series of devices prepared at the order of the Academy of Sciences of the GDR. Another series is to be prepared for the needs of the Academy of Sciences of the USSR. Preparations are currently underway for the signing of a contract between the Central Laboratory for Electrochemical Current Sources and the Petro-chemical



Combine in Bourgas for the design and put into production of 10 devices. The "Betatest-HM 2000 hydrometer" has 3 inventors' certificates. One of them has been patented in 8 countries. The device will find wide application in the production of pure substances, semi conductors, electronic parts, in the production and processing of metals and alloys, in organic and non-organic synthesis. [Text] [Sofia BULGARIA TODAY in English No 82 p 12]

FOREIGN TRADE--The Central Cooperative Union (CCU) is an organization well known in many countries throughout the world. It enjoys good international prestige and maintains broad business contacts with similar unions and organizations in the USSR, the socialist and many other countries. The CCU implements its foreign trade activities through the Bulgarcoop Foreign Trade Organization. Imports are made through exchange of consumer goods. Its main foreign trade partner is Xoyuzcoopvneshtorg of the Centrosoyuz of the USSR. Every year the supply is secured of electric household appliances, TV and portable radio sets, washing machines, vacuum cleaners, refrigerators, etc. Trade with the other countries members of the Council for Mutual Economic Assistance--Czechoslovakia, Poland, Hungary, Romania, the GDR and Yugoslavia is constantly increasing. Imported from them are electric household appliances, crystal and faience items, ready-to-wear clothes, etc. Bulgarcoop devotes particular attention to trade contacts with Mongolia, Korea, Vietnam and Cuba. Trade with Italy, France, the FRG, Austria, Holland is steadily growing. The main items which are imported are fabrics, yarns, ready-to-wear clothes, leather products, blankets, confectioneries, citrus fruit, olive oil, etc. The so-called COOPERATIVE SUNDAYS are a new and very promising form of exchange. They contribute not only to the exchange of goods but also of ideas, of experience in the study of consumer demands and the standards of trade services. Planned for this year are eight 'Cooperative Sundays' with the USSR, 17 with Romania, nine with Hungary, 17 with Poland, two with Czechoslovakia and eight with the GDR. Frontier trade is yet another form of cooperation. Through its active foreign trade activities the CCU is contributing to the more adequate satisfaction of consumer demands and to the supply of more diverse raw materials needed for the national industry. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 12]

NEW AUTOMATED SYSTEM--The idle runs of transport, loading and unloading machines in the open-cast mines will be eliminated by means of the new automated Tracy system for operative control of factory automobile transport. The system has been designed by specialists at the Institute for Technical Cybernetics and Robots with the Bulgarian Academy of Sciences. It will increase the efficient use of the machines by 10 per cent. The new equipment consists of a control sub-system of two mini-computers, a series of specialized peripheral devices for the collection and transmission of information, devices providing contact between the controller and the controlling computer complex as well as other additional devices. In terms of function data the present system excels all other existing systems. Inventors' certificates have been issued in this country for the different parts of the system, and the system as a whole has been patented in the USA, Canada and the USSR. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 12]

DEVICE FOR SOLDERING COILS--The magnetic and hydro-dynamic operation of the melted solder, its preliminary processing in a magnetic field, the simultaneous heating to a high temperature and robot-type manipulation of all operations--these are the main aspects, new in principle combined in the original device for soldering the ends of the rotor coils to the commutator bar of direct current electric motors. The device, designed by workers and specialists at the Bulgarian Academy of Sciences excels all the other existing devices of this type. By combining the new principles, it is possible completely to fill with solder the joints between the coil ends and the commutator bars. The quality and the exploitation reliability of the electric collector machine increase considerably, the time needed being sharply reduced and the soldering operation simplified. It has been reduced to about 10 seconds and is performed by a robot. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 12]

SYSTEM FOR CONTROLLING CONCRETE MIXTURES--A team of the Institute of Technical Cybernetics and Robotics with the Bulgarian Academy of Sciences has devised a universal microprocessor system for controlling the technological processes of mixing concrete of differing consistency with different chemical and additional materials. This system provides for automatic correction of the concrete mixture recipes in accordance with the moisture content of the mixture components and guarantees economies of cement. The quality of the concrete is also stabilized, which decreases scrap. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 12]

SYSTEM FOR TELEPROCESSING--When a certain automated system is expected to cover terminals and sensors, situated far from the central processor, there arise a number of problems in the exchange and processing of data. The computers of today are not designed directly to receive signals from information sources which are situated far from them. This makes necessary the systems for tele-processing of information, which are a kind of an intermediary between the computers and the apparatuses which collect and transmit data from distant places. The ESTEL system designed at the Institute for Computer Technology in Sofia, and produced serially by the Plant for Memory Devices in Veliko Turnovo is one of this type. One important characteristic feature of the latest modification of ESTEL is its transition from the role of a passive intermediary between the central processor and the sources of information to active participation in data processing. As a matter of fact, ESTEL is a network of computer and programme devices scattered over the entire territory of the machines and apparatuses included in the automated system. It is no longer necessary to send all data for processing to the central electronic computer, which results in a considerable increase of processing speed, relieves the central processor and, in the final count, lowers the cost of the end product--the processed information. [Text] [Sofia BULGARIA TODAY in English Nov 82 pp 12-13]

VACUUM PEELING OF VEGETABLES--The canning industry is now using machines and equipment for peeling vegetables, which are not up to the latest requirements. In the peeling of peppers and tomatoes in particular, the mechanical treatment damages the vegetables which makes their thorough peeling difficult. A method has now been introduced in Bulgaria for the vacuum peeling of peppers and

tomatoes prior to sterilization, which prevents the above mentioned damage of the vegetables. A machine has been designed for the application of the new method, which consists of a tub with a heating device, a drum rotor, a vacuum chamber and a control system. The vegetables are heated to a temperature lower than 100°C and then passed on to the vacuum chamber where they are peeled. The method and the machine are highly efficient: the tomatoes are peeled 90-95 per cent and the peppers --95-99 per cent. Vegetable damage is not higher than 2-4 per cent. The processed vegetables are of a high quality since the surface and their lustre are totally preserved. The large and small, ripe and unripe vegetables are equally well processed. The method and the machine have already been introduced in the Bulgarian canning industry. Their advantages in no time reaffirmed the invention in practice. It is to be patented in almost all countries with developed canning industries. Licences have already been sold to Canada and the USA. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

NEW FLOORINGS--The plastic floorings produced by the Peter Karaminchev Chemical Combine in Rousse can successfully replace wooden floorings. They possess fine wear and tear, light, sound and heat insulating properties. They are produced according to the so-called original method: two layers of special pastes are spread upon a textile base and in the same order a face layer of a plain or printed folio is doubled. The textile base can be either 'Mali-mo' fabric or hempen or jute felt. The floorings with a porous structure have better heat and sound insulating properties, they are resistant to decay and fire and have a chemical shagreen surface. They are of two types--with a textile base and without a base. The production of two new types of floorings will soon be started--anti-static (on a textile base) designed for hospitals and for premises with electronic machines and floorings on latex cardboard (instead of a textile base). [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

POZNAN FAIR--Bulgaria took part in the international fair in Poznan for the 36th time. Many Bulgarian foreign trade enterprises exhibited their latest items on an area of 2,200 sq metres. The Mashinoexport Foreign Trade Organization which is well known on the Polish market displayed original pneumatic and hydraulic items, automatic lines and robots. Specialists showed particular interest in the 16 types of electric trucks in more than 60 modifications, motor trucks of the Record family, electric hoists, all demonstrated by Balkancarimpex. Agromashinainpex exhibited a wide range of farm machines--a tractor, mowing machine, a hay collector, a spraying machine, a planting machine, etc. Izotimpex exhibited part of the Bulgarian electronics industry. The Electroimpex stalls displayed electric motors, lighting household fixtures, electric contactors, which have been the result of specialization with Poland, radio relay devices. The latter have been produced on the basis of mansided specialization within the Council for Mutual Economic Assistance. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

METHOD AND EQUIPMENT FOR EXTRACTING COPPER FROM SLAG--Issai Dimitrov, of the Metalurgproject Engineering Economic Organization, has devised a method and equipment for extracting copper and the lead, nickel and precious metals accompanying it from slag as a semifinished product. The copper-free slag can be used in the production of cast iron and in the cement industry. The extraction expenditures come up to 20 per cent of the cost of the copper extracted from slag dumps. The copper extracted from converter slag comes up to 85 per cent, and that from slag dumps--to more than 75 per cent of its total

content. The equipment is of simple construction which leads to low capital investment and maintenance costs. Moreover, the melting of the prime material and the extraction of the copper can be combined in a single continuous process. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

BULGARIA-GREECE POWER LINE--The Bulgarian power engineers have thrown yet another sound bridge of cooperation between the two countries. The Bulgaria-Greece electric power line starting from the Bobov Dol Thermo-electric Power Station and reaching a substation on Greek territory some 120 km south was completed a whole year ahead of schedule. With its present 220 kV it now generates power only for its region. This is, however, only the beginning. A powerful substation is already under construction near Blagoevgrad. After its completion in 1985, it will be connected through the new 400 kV power line, with an analogous equipment in the Greek town of Seres. Thus the power grids of the two countries will be linked parallelly. This will make possible a mutually advantageous exchange of electric power. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

TOURISM DEVELOPMENT--Bulgaria's tourist map is being constantly enriched with new places of interest: among them we could mention the fast-developing zones of roadside tourism. These zones are particularly liked by the growing number of Bulgarian and foreign tourists for the possibilities which they offer them for a short rest and to acquaint themselves with some of the beautiful parts in our country. Recently, the chairman of the State Committee for Tourism Georgi Evtimov acquainted representatives from the central press, the Radio and Television with the prospects for the development of roadside tourism in the vicinity of Pravets--a town situated among the gentle slopes of the Balkan Range, on the side of the busy motorway Sofia-Turnovo-Varna. Though small, the town has first-class tourist facilities; we could mention here the Pravets Hotel (three stars), which offers 100 beds in comfortable rooms with all modern conveniences and a restaurant for 160 people; the Pravets Motel, which has 60 beds in the motel, 68 in the bungalows and 100 at the camp-site. The motel has a restaurant with two halls, a day bar, a winter garden, restaurant with a floor show, a heated swimming-pool. The Pravets Motel is situated on the bank of a beautiful mountain lake which offers excellent possibilities for watersports. Roadside tourism in the vicinity of the town will have other new facilities in the near future: on the bank of the lake a new hotel (two stars) will be built; it will have 280 beds, a restaurant, a night-club, a sports-complex with indoor bowling, a department for balneological treatment and an indoor swimming-pool. Specialists are preparing the construction of an ethnographical complex called 'Praveshki hanove' which will include 17 handicraft workshops for old-Bulgarian articles, which were typical of this region of the Balkan Range. [Text] [Sofia BULGARIA TODAY in English Nov 82 p 13]

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PRODUCTION STRUCTURE DISTORTIONS DISCUSSED

Zurich NEUE ZUERCHER ZEITUNG in German 26 Nov 82 p 17

[Article: "Distortions in Czech Production Structure"]

[Text] K.E. Just how little the plan or plan fulfillment reflects the actual needs of the people in communist countries can be read from this year's economic developments in Czechoslovakia. For the first time in several years, the economic plan has a chance of being fulfilled in 1982. Contrary to expectations--and this tells a lot--the media did not, however, break out into hymns of praise as the results of the first 3 quarters confirmed this trend. There are good reasons for this. First, the planning proposal contains only very modest growth compared to the achieved level of 1981; second, the supply situation has worsened noticeably during the course of the year.

Supply Difficulties

In the first 3 quarters, industrial production grew by somewhat more than the planned 0.4 percent; and productivity grew by less than 1 percent. In the building sector, production dropped by 4.6 percent and productivity was down by 3.6 percent in line with the plan. This is the result of a rigorous contraction of building investment in all areas except energy-related projects. In agriculture crop production is expected to register a respectable plus and, after a poor harvest in the previous year, will again reach the level of 1980. Conversely, in other branches of agriculture a drop in production is expected.

This has become clear during the course of the year as the supply of foodstuffs has gotten progressively worse. Especially drastically engulfed by this trend are milk and milk products. Only through a mandated reduction in fat content could the milk supply be maintained. Milk has degenerated into a bluish liquid which is declared by many local officials as unsuitable for small children. Cheese, yogurt, whipped cream and buttermilk are strictly scarce commodities. Such a situation has not existed in Czechoslovakia since the early 1950's. The reason given is a shortage of dairy feed.

### Decreased Demand Due to Higher Prices

In consumer goods, the situation is "normal" according to the office of statistics. What this means can be read from the office's report. There is a shortage "primarily" in: cotton washables, cotton outer garments, hosiery, draperies, floor coverings, television sets, refrigerators and freezers, motor cycles, sewing machines, sports articles, toys and all sorts of building materials including paint and brushes.

Almost gone from normal retail outlets are consumer goods imported from the West which fell victim to the planner's red pencil. These goods are obtainable almost exclusively in black-market stores which offer for hard currency only scarce foreign--but more and more lately also domestic--goods. The decrease in imports from the West is clearly expressed in the following figures: Instead of falling by the planned 1 percent, imports dropped by 16 percent; and, instead of growing by a planned 6 percent, exports decreased by 1 percent.

### Crisis in the Automobile Sector

There is however one market in which low demand is raising serious problems for the planners: Sales of domestic Skoda automobiles has fallen sharply. After sales had already dropped strongly for two years running, a further decrease of a good 30 percent to 85,000 units is expected this year. Production is running at 180,000 units. The reasons for this development are to be found in high gasoline prices (1 liter of premium, 9 Kr); high purchase prices (on average, 54,000 Kr for a Skoda with an average gross monthly income of barely 3,000 Kr) and the sharply escalating cost of living with only a 2-percent increase in gross income this year.

An additional reason is the chronic shortage of spare parts (for several months there were no batteries) which makes auto repairing a real pain. The shortage of spare parts and depressed sales induced the Skoda factory to initiate an action unique in the history of automobile manufacturing: They had finished automobiles disassembled for spare parts.

### Overproduction and Shortages

Paradoxically, the Prague "WIRTSCHAFTSZEITUNG" protested the situation wherein there is a surplus in one area and shortages in another. This is a sign that central planning was unable to set up a production structure corresponding to demand. Surpluses alongside shortages is the trademark of such a situation.

The energy supply is an additional weak point; this is another problem which the planning system has been unable to solve after decades of effort. The coal production plan which has been stagnating for years will go unfulfilled again this year. The shortfall of 1.4 million tons bodes ill for the winter. After the Soviet Union cut back its petroleum deliveries by about 10 percent, coal and increased natural gas imports were supposed to cover the shortage. This compensation will obviously not materialize. The people must be prepared for power shutoffs and dark streets. Many households do not yet have the coal in the cellar. One keeps reading in the newspapers that "none of us will freeze."



### Depressed Raw Material Prices

The media are more and more frequently pointing out that the supply problems are due in part to the fact that an ever larger portion of domestic social product has to be exported to pay for raw material deliveries, without openly naming the Soviet Union as the main supplier in this situation. While prices have been falling on world raw material--including energy--markets this year, Czechoslovakia and other Comecon countries are having to pay top 1982 prices for Soviet energy deliveries.

A steadily increasing portion of the payment is being made in consumer goods while the Soviets, thanks to their income in hard currencies from energy exports, are able to import valuable investment goods from the West. Since Czechoslovakia has not been able to pass along the increased outlay for energy imports, the worsened terms of trade have to be balanced by increased exports, and this naturally depresses the domestic market. This situation is not expected to change in the next few years.

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## ZDOBINA REPORTS ON TAX LAW AMENDMENTS FOR SERVICES

[Editorial Report] AU181713--Bratislava PRAVDA in Slovak on 15 December 1982 on pages 1 and 2 carries a 3,000-word Frantisek Zdobina report on the proceedings of the 14 December session of the CSSR Federal Assembly in Prague. After reviewing the main item on the agenda of the session--the presentation and approval of the state budget for 1983--Zdobina reports on the discussion and subsequent passing of two new laws. Both government bills--the first regulating economic organizations' remittances to the state budget and the second "changing and amending the law on the taxation of the population's incomes"--were "substantiated" by CSSR Minister of Finance Leopold Ler.

Quoting Ler's elucidation of the first government bill, Zdobina says: "Leopold Ler said that the new legal regulation of remittances to the state budget is making more realistic the economic organizations' relationship toward the state budget in fiscal matters, creating greater scope for a more consistent application of financial autonomy [chozrascot] while preserving the desirable continuity of those elements of remittances that have acquitted themselves well. At the same time it respects the demand for further streamlining this area, especially by:

- Simplifying the handing over of the share of profit as well as of the social security payments,
- Abolishing the capital assets tax, including follow-up measures,
- Making more realistic the advance payment of the profit tax, by basing it on the actual economic results in the preceding period, and simplifying the advance payment of the social security contribution,
- Modifying sanctions in such a way as to deepen internal control in the area of the consistent observance of the commitments vis-a-vis the state budget.

"These and other measures will reduce administrative work in both the economic organizations and the financial bodies. Moreover, they will create scope for deepening internal and external fiscal control.

"The new law on remittances to the state budget is another important step toward implementing the set of measures for improving the planned national



economic management, the effective and energetic enactment of which was stressed by the seventh CPCZ Central Committee session."

Following Ler's speech Deputy Imrich Oravec endorsed the government bill, saying that it "reinforces self-financing of the economic sphere, enhances the economic impact of the individual types of remittances and simplifies their system" and is therefore in line with the improved system of planned national economic management. Following Oravec's speech and another endorsement by Deputy Ludmila Dvorakova, the Federal Assembly approved the new law.

Reporting on Ler's elucidation of the second government bill, concerning the income tax, Zdobina goes on to say: "The need for a law modifying the taxation of incomes from services ensures from the tasks laid down by the sixth CPCZ Central Committee session on developing and improving services for the population.

"In order to make broader use of the citizens' initiative in this area, it is necessary to establish prerequisites for it, especially by creating conditions for providing services on the basis of a permit, by regulating these citizens' social security and by reasonably taxing the citizens' income from such activities.

"The decree of the two republics' governments on providing services by citizens on the basis of the national committee's permit widen, compared with the existing state of affairs, the range of activities and persons that may be given such a permit and define the terms for granting it. The permit may be issued for rendering small craftsman services, including the maintenance of houses and apartments, such as bricklaying, cabinet-making, painting, varnishing, locksmith work, shoe repairs, tailoring, sewing of underwear and bed linen, slatening and the like as well as for rendering various personal services such as those of a barber, hairdresser or cosmetologist, housecleaning, portage or moving.

"The citizen may provide these services with the assistance of a family member, that is a spouse, children, parents or a commonlaw spouse. These services must be provided in compliance with the permit and with the generally binding regulations governing the rendering of individual types of services.

"In keeping with the measures adopted for ensuring services by individual citizens, the government bill on the taxation of the population's incomes seeks roughly the same conditions for the citizens providing these services as are the taxes of state-employed citizens working in the same profession. The same will also apply to the area of social security.

"In accordance with the government bill, if the income from the permitted activity, after costs are deducted, does not exceed about Kc\$40,000 a year, the tax will be roughly equivalent to the wages tax. Should the income

exceed Kc\$40,000 a year, the government bill proposes a tax progression that markedly exceeds the tariff of the wages tax.

"The proposed partial amendment of the law on the taxation of the population's incomes establishes in the area of taxes adequate prerequisites for developing and utilizing individual citizens' initiative in ensuring services."

Following an endorsement of the government bill by deputies Helena Nemciskova and Vlasta Vecerova, Zdobina says in conclusion, the Federal Assembly approved the amended law.

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ENERGY TASKS FOR BEZIRK-MANAGED INDUSTRY, FOOD INDUSTRY LISTED

Leipzig ENERGIEANWENDUNG in German Vol 31 No 5, Sep-Oct 82 (manuscript received 10 Mar 82) pp 157-158

[Article by Dr Axel Koppatsch, engineer, chief energy specialist, Ministry for Bezirk-Managed Industry and Foodstuffs Industry: "Tasks and Measures for Efficient Energy Use in the Sector of the Ministry for Bezirk-Managed Industry and Foodstuffs Industry"]

[Text] The sector of the Ministry for Bezirk-Managed Industry and Foodstuffs Industry consumes with its 1,600 categories a dominant portion of the energy in the GDR's national economy. For example, fuels amounting to more than 10 million tons of raw brown coal equivalents are used for the yearly production of thermal energy.

A special feature of energy-intensive processes is the consumption of chiefly thermal energy, as the following useful-energy configuration shows:

- 86 percent of useful-energy as thermal energy;
- 14 percent of useful-energy as electric energy.

The branches of the foodstuffs and woodworking industries are especially energy-intensive with:

- drying processes in the production of noodle products, malt, flake and fiber-board, as well as sawn timber;
- cooking processes in the production of beer, candies and yeast,
- distilling and extracting processes in the production of liquors, cooking oils and margarine,
- baking processes in the production of rolls, bread, cakes, confectionery goods, etc.,
- cooking processes with considerable usage of refrigerating energy in the production of beer, chocolates, margarine, fish, as well as ice cream.

Melting and annealing are especially among the most energy-intensive processes in the sector's foundries and metal working enterprises. The individual branches participate as follows in total useful-energy consumption:

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GERMAN DEMOCRATIC

	[in percent]
--breweries, malt industry, beverage industry (nonalcoholic beverages)	18.2
--flake and fiber board industry	17.9
--furniture industry	12.3
--deep sea and coastal fishing and fish processing	13.7
--oil, margarine and yeast industries	7.2
--alcohol and liquor industries	6.7
--national baked goods and nonperishable baked goods industries	8.2

Exacting requirements are being made of enterprises and combines to use energy efficiently.

The intensity of useful-energy was decreased yearly from 1976 to 1980 by an average of 4.3 percent, and the intensity of electric energy was decreased by 2.1 percent. Success was achieved for the first time in 1980 by holding primary energy consumption constant compared to the previous year and thus fulfill and overfulfill the plan for goods' production.

The focal points of efficient energy economy during the period 1981 through 1985 are being concentrated on:

- the substitution of heating oil as energy carrier in boiler plants and its replacement with raw brown coal;
- the substitution of bituminous coal, hard coal coke and brown coal briquet as fuel in boiler plants and their replacement with raw brown coal;
- the improvement of condensate control, especially the essential increase in condensate recycling and the utilization of condensate heat;
- the decisive improvement in the degree and condition of insulation of warm and cold working pipes, fittings and installations;
- the substantial reduction in the fall-off of secondary energy in technological processes, as well as the utilization of available secondary energy sources;
- the reduction in lighting costs, as well as the conservation of electric energy in the production of refrigerated and compressed air;
- the detachment of direct electrical heating,
- the comprehensive implementation of BMSR [expansion unknown] technology for process monitoring in energy conversion and use, as well as for the development and use of the norms and normatives of energy consumption.

The ministry's enterprises and combines have the task of guaranteeing through the implementation of these tasks of efficient energy use the increase in the productivity without increasing total energy consumption. This means a reduction in the loss of energy in production processes and such an efficient structuring of industrial space heating and lighting that energy reserves are mobilized which correspond to a yearly equivalent of 500,000 tons of raw brown coal.

These set goals were achieved and surpassed in 1981. Altogether, the primary energy consumption of 1981 was 1.1 percent lower than 1980.

An energy advantage was achieved which corresponds to an equivalent of 526,000 tons of raw brown coal through efficient energy management. The amount of secondary energy utilization reached, because of the above, was 62 percent and was now more than 13 percent higher than the previous year.

The utilization of residual combustibles in the flake and fiber board, sawn timber, furniture and foodstuffs industries made possible the substitution of heating oil, brown coal briquets and raw brown coal in an equivalent amount of 443,000 tons of raw brown coal. As a result, an increase of 10 percent over 1980 was achieved.

A savings of 18.2 million m<sup>3</sup> for urban gas was achieved in 1980, primarily through the better control of space heating plants and in the reduction of the amounts of heating gas circulation in the grated belt ovens of the baked goods industry to reduce the formation of secondary energy, as well as the intermittent use of long-range heating.

The use of a heat recovery plant in the Erfurt VEB Malt Works, Works III, in its kiln process led to a natural gas conservation of 3.4 mil m<sup>3</sup>, i.e. 34 percent.

The increased direct use of raw brown coal in boiler plants has made the following possible:

- the reduction in hard coal consumption by 50,000 tons,
- the reduction of brown coal briquet consumption by 112,000 tons and
- the decrease in the consumption of industrial coke by 3,700 tons.

A series of initiatives to secure the realization of usage demands for solid fuels was called forth and carried out in order to increase significantly the use of raw brown coal:

- despite the deficit in the heat balance of many enterprises,
- as well as despite a plurality of boilers with chain grate or permanent internal grate firing with belt charging.

The following events are especially affected by the above:

- the development and use of pelleting presses for pelleting raw coal by adding waste wood,
- the development of metering angles for sectional boilers.

Both measures guarantee that raw brown coal without loss or without great loss, can be used to a greater extent in the production of heat in boiler plants.

They concentrate on the fermentation and beverage industries, the baked goods, flake board and furniture industries. A decisive focal point in efficient energy management is the comprehensive utilization of the sector's technically usable secondary energy, presently amounting to around 12,000 TJ [terajoule].

The year 1980 saw 5,210 TJ used. This amount has to increase to 9,550 TJ by 1985 in order to fulfill the energy management goals. By 1985, 75 percent of the energetic yield of efficient energy use will have to be produced from energy management efficiency. As a result, the degree of secondary energy utilization will increase by 1985 for:

- exhaust heat from 70 to 75 percent,
- condensate heat from 85 to 1,000 percent,
- lost heat from products to 100 percent,
- utilization of cooling water heat from 70 to 80 percent, and
- with residual fuels for a total as high as 92 percent.

A program to utilize residual energy by 1985 in the sector of the Ministry for Bezirk-Managed Industry and Foodstuffs Industry encompasses all combines and economic councils of the various bezirks. This program prescribes where what technology will be utilized with what effect.

Heat pumps will be installed to utilize lost heat from refrigerating plants. The installation of a total of 67 large and 161 small heat pumps is envisioned, chiefly in the enterprises of the foodstuffs industry. It is assumed that residual heat in the production of beer wort in breweries can be saved for later use by using 56 exhaust vapor condensers.

The focal point in furniture plants is on the utilization of lost heat from aeration processes. This impacts partly also on the baked goods industry. Here recuperators and regenerators will be used. The number will be 187 low-temperature recuperators and 35 low-temperature as well as 17 high-temperature regenerators by 1985. A considerable number of plants will be equipped with radiation panel heating in order to utilize better heat energy in heating and to reduce energy loss.

A further plan for the ministry's sector envisions the improved step by step insulation of plant installations. Better insulation results in a significant reduction in energy loss. This program recognized the need of all combines, enterprises and institutions to improve insulation. The development of the necessary capacity has made it possible to cover this need by 1985 by means of self-help.

Important pieces of equipment are being built and installed for efficient energy management in the 22 plants of the product group, "Energiewirtschaftlicher Rationalisierungsmittelbau" [Energy Management Efficiency Equipment Construction].

These plants have already achieved outstanding results in the development and production of efficient energy management devices. The internal-flue fire-tube boiler, model FRK 800, from the VEB Dampfkesselbau, Heidenau, has allowed for the utilization of raw brown coal while also improving the boiler's degree of efficiency. Good preparation has succeeded in moving this product into production ahead of the plan.

New developed boilers, model KSDA 800, from VEB Dampfautomat, Leipzig, guarantee a heating oil supply of around 125 tons per boiler by using brown coal briquet dust. Fifty-five of these boilers are earmarked for installation in the ministry's sector in 1982.

Once the difficulties of introducing into production the heating oil burner from VEB Oelfeuerungsbau, Karl-Marx-Stadt, in 1981 to guarantee reconversion of small heating oil consumers to HE-D were overcome, a total of 1,400 burners was produced by completely utilizing the plant's entire capacity. The burners were then installed and made operational by the enterprise's maintenance service.

Beyond this, the ministry's energy efficiency equipment construction has the task of creating the conditions for the production of such efficiency devices as:

- waste heat boilers for thermal post-combustion plants;
- heat accumulators;
- mills for abraded and residual fuels, including burners and ignition appliances for brown coal briquet residue and wood scrap;
- briquet plants for raw brown coal, chips, etc.;
- recuperators for large air flow-through yields, especially for utilization in the malt and flake board industries;
- means of control for:
  - o heat accumulators
  - o heavy heating fuels with low flow-through
  - o product cooling with cooling water
  - o outgoing heat during drying and baking processes
  - o space heating processes.

The ministry's four research and development centers for energy management are concentrating in analyzing energy processes in order to open further energy reserves. The combines and economic councils have the task of utilizing increasingly their own facilities for efficiency devices to accelerate energy management efficiency.

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## ECONOMISTS DISCUSS REFORM'S FUTURE

Reviews Subject Using New Angles

Budapest HETI VILAGGAZDASAG in Hungarian 13 Nov 82 pp 34, 35

[Article by Pal Juhasz]

[Text] We will retrench and wait for things to turn for the better. We will restrain investments and personal consumption--this is how we will cut back import requirements, and secretly we shall even hope that the export markets will absorb the capacities "disencumbered" from the demands of the domestic market. We have to pull through the lean years somehow, and we no longer believe that through out efforts we will find industrial branches with "hauling" power, that the loud and insistent protestations of certain enterprises or management authorities regarding their ability to do miracles if they receive more capital, imports, manpower, authority are creditable. And as a matter of fact, what do we have to give? We have to amortize our debts, or at least show that we are doing everything we can to maintain our ability to pay.

Although it is nice to think of what the socialist market economy should be like, and elevating to see the ideal economy as several of our spirited economists dream of a model that is possible for the next phase of the socialist economy, it is painful to listen to the reproaches of how our management practice ruins the psychological conditions for broadening the reform. But this is our situation and instead of lashes and dreams, or at least in addition thereto, our economists should also speak of how we should advance toward our ideals given the present situation in which we are without reserves, and most of the emergency steps are forced on us.

The world that guards the values of economic liberalism better than we do is also in trouble. There, too, concepts are in a whirl. Even the HVG [HETI VILAGGAZDASAG] promotes Marton Tardos' opening of the debate with an orientation table that looks like a compass. If there is such great uncertainty is it advisable to do anything at all besides the obvious--to put everything on hold until the West European cycle goes in an upswing--since we no longer can separate our economy from theirs--and meshing with their renewal let us shape our reform by moving toward the opportunities that open up as required by the need to take advantage of possibilities. (And thank God the new

technological leap forward in those countries is devaluing a host of activity forms that they regard as traditional, they will not invest in these, but whatever has to be produced under traditional forms they will have us do. And this is in our interest: We can only be their market if they have us produce.)

But will the cyclical upswing in the West start? And will we perceive when the possibilities will arise and what kind will they be? And if we see these possibilities, who will be those participants involved in the economy able to and willing to take the steps that will take advantage of the possibilities? In fact, the constantly defensive stance of the enterprises and the uncertainty of the demands are prompting the enterprises to contract and pull inward. (Whoever has capital today hides the fact even from himself, and he will do better to conceal his possibilities than to impose unpleasant requirements on himself.) Surely, even as we wait we need to act. If we are limited to emergency steps, we will remain in a tunnel. (This is true if for no other reason than that if a certain part of our economy is not spinning, and the stronger parts cannot attract the superfluous manpower and means from those that are in a crisis, we will not have the wherewithal for paying debts.)

Several necessary steps are surprisingly clear--and have been for several years or more. It is not accidental that Marton Tardos and our knowledgeable friends who have added their opinions to his article are in full agreement, at least in the problems that need to be directly solved. Indeed, the economic logic of the tasks is trivial: We must make the economic processes less expensive and see to it that these processes change according to demand. At the same time, we surely know since Marx--something which was suspected also by the earlier national economies--that the costs of reproduction are also the costs of the reproduction of social relations, and the fetishes built into the institutional system deter us from adjusting to the market.

It is not difficult to take into account what kind of circumstances make the production of our enterprises more expensive and what kind of compulsions and obsessions deriving therefrom prompt our managers to keep only one eye at the most on the market, but it is difficult to face the fact that the circumstances can be reduced only by changing our relations (among other things the legal specifics and dependency forms of the enterprise), and we can free ourselves from the road on which we have been led by our fetishes if we break away from the many principles and forms of our management and regulation.

A transformation process like this can lead afar and must be conducted at many levels, but the first step must be in the norms and conditions of enterprise management. We have in hand the wealth and organization for acting. The power that is shared among them is capable of more than that of the managing organization. (It is true that a change in the operational rules of the enterprise requires simultaneous changes in the rules of the so-called second economy and in certain areas of social policy.)

Laszlo Antal is right when he says we cannot strike a liberal pose and suddenly give up the reins. But we must make it possible for those who can to seize the opportunity and that there should be more and more of this. What kind of fetishes and restraints can we abandon rapidly, how should we approach the ideals voiced in observations made to independent and responsible enterprises and still not risk collapse? (Or at least that this change should not be the cause of the collapse.)

Firstly, we must leave behind the hang-up that the domestic market is unfriendly (or as it seems to many enterprises, uninteresting). If enterprises do not react to the pull of the domestic market, they will lose the only market on which it is possible to grow. And to put it another way, if we restrain domestic demand as a goal unto itself--by freezing funds, by withdrawing working capital, by earnings regulation, and so forth--we will deprive most of our enterprises of the possibility of firmly holding their ground and learning how to serve the user and consumer. Secondly, we must break with the practice of excessively securing the balance of supply and demand and with the overregulation of earnings. This makes manpower mobility difficult, and moreover it means the most direct limit on every cost-saving transformation of an enterprise organization and an expansion in a capital-saving way. Thirdly, we must see to it that the enterprise is not regarded primarily as a work organization, and leadership should not mean primarily work management, but rather an enterprise should be a wealth-managing organization capable of availing itself of freedom in wealth use.

The most common consequences of the necessary changes will be that business forms originating in the second economy or in other enterprises will permeate the enterprise's work organization, but within the internal work organization economic enterprises may also become competitive with the external enterprises. Leasing, enterprise groups, commission enterprises, individual pay or premium, etc., etc. will become everyday matters. Tardos regards changes like these as an inevitable negative consequence of income differentiation. But in fact, increased differentiation is simply an inevitable consequence. The reform process represents a change in the fact that it will bring about differences in other ways--among others and in other forms. And on the other hand, also in the fact that the differences will be more obvious than at present when they will be formed in the unsurveyable system of the first, second and third economies.

#### Szavay Warns Against Recentralization

Budapest HETI VILAGGAZDASAG in Hungarian 20 Nov 82 pp 51, 52

[Article by Istvan Szavay]

[Text] The reverse suffered by the economic management reform was touched on in the opening of the debate without the author's extending himself to the causes. This obviously was not his goal. As a matter of fact, these causes were rooted not so much in the economic as in the political-social sphere. In our case, however, it is instructive, even essential, to take up a number of the more important ones. If we try to use purely economic solutions for complex social and economic-political problems without a basic consideration of their effects on the social sphere, it is to be feared

that a 1972-type reverse may occur again and the reactions rising and being strengthened in the socio-political sphere will again make it impossible for the economy to move on its own in a healthy way.

By and large, an analysis of the complex process that lasted from 1968 to 1972 would belong to the economic historians. As an outsider, and relying less on documents than experimental experiences, it appears that one of the basic reasons for the reverse was in the start and gradual strengthening of differentiation in incomes and in the social situation of certain groups and sub-classes. With the rapid improvement in market supply there was a rapid rise in the income of certain social groups and sub-classes, while the income of others rose only to a very moderate degree. All this obviously became the source of tensions. All the more so, because in regard to its political importance, the income of the most important sub-class--workers in the large industrial plants--developed the least favorably at the time, given that our large industrial plants were not then the most flexible, and were able to adjust only with difficulty to the new circumstances and market requirements. Nor was the execution of the reform consistent.

Again the consequences are essentially well known. In the following year the foreign economic conditions suddenly began to deteriorate, and the oil crisis was followed gradually by a world economic crisis. The repeatedly overcentralized management system practically made the Hungarian economy unsuitable for adjusting rapidly enough to a world economic condition system that was becoming more and more disadvantageous. Moreover, for a long time it looked as if the on-going changes in the world economy, which were so terribly unfavorable for us, would be only temporary. That is why there were many who thought that it would be possible to finance an increase in our living standards from credits while the world economy was still in its crisis phase. It became clear at the end of the decade that the crisis was primarily of a structural nature and that it would not only be longlasting but its consequences would require serious structural changes in the Hungarian economy. By this time, however, our credit possibilities had been largely exhausted, and this caused a serious problem from two points of view. One is that we have to solve the transformation of our economy from limited material means; and the other is that during the period of transformation we will not have the possibility of financing our living standards by using external means.

What can be recommended in a situation like this? Obviously, above all a further improvement in orientation, making it more comprehensive and convincing. (Since 1972, fortunately, very favorable changes have occurred in this field.) Moreover, it appears more and more necessary to rethink the system of enterprise subsidies, wage development possibilities, and social allowances in order that really great tensions should not develop among sub-classes with an important weight in socio-political life.

Obviously this is not an easy task, for there can hardly be surplus means in the budget for such goals. It would also be counter-productive in achieving the goal if we were to abridge the development possibilities of the economic organizations producing the more serious profits by pointing to overall social interests. But we must unconditionally seek for some kind of new optimum by readjusting the system of withholdings and allowances.

## Erdos on Prices, Competitiveness

Budapest HETI VILAGGAZDASAG in Hungarian 20 Nov 82 pp 51, 52

[Article by Tibor Erdos]

[Text] First place in the short-term consolidation program of our economy must be taken by the acceleration of profitable exports and by rational import substitution. The faster the rate of profitable export and the more it exceeds the rate of import the sooner we can stop the increase in external indebtedness--considering also the interest payment obligation.

Despite the keen competition on capitalist markets Marton Tardos regards it as necessary that we be able to increase our share of exports, namely that we should turn about the trend we have been experiencing thus far. This means that our exports to capitalist markets--calculated at unchanged prices--would have to increase more rapidly than 6 percent per year. There are many who regard such export dynamics as unrealistic because in the present world economic situation a 6 percent rate is difficult to achieve and at the expense of profitable management. But the expected 6 percent rate is the result of extrapolation, reflected by experiences thus far. No one knows how much export increase would be attainable in the case of an economy forced to competitiveness and with good foreign trade work. One thing is sure: It would be faster and more profitable than up to now.

To this end, we need to develop a market mechanism which will make the comparative advantages recognizable and will compel the enterprises to take advantage of them. On such a market there is a great scope for free price formation as well as for supply reacting in a responsive way to a change in profits. Free prices are in part outlay proportional and in part world market price proportional, depending on the extent to which we "permit" external price influences into the domestic market. In this way those product groups will enjoy a comparative advantage whose foreign sale brings a profit that is greater than average assuming a rate of foreign exchange that is at least near to the parity of purchasing power and disregarding, for example, the complexities stemming from custom duties--or where the price includes from the start a profit exceeding the average--given prices adjusted to world market prices.

The idea of free prices is not new. We emphasized their role with the introduction of the 1968 reform, and we would have liked to increase the scope of their implementation from the start. Nor was the ratio of free-price products low. But the free prices were in effect on the sellers' not the buyers' market: We have not succeeded up to now in eliminating the shortage economy. Supply was unable to force the prices either in the direction of outlay or world market price ratios; and thus the comparative advantages were not recognizable and the market automatism was not able to adjust either the structure of production or export. Under such circumstances it is not surprising that our share in the world market declined despite our export efforts and that the profitability of export deteriorated.

I believe that we ought to eliminate the so-called "competitive price system," and that it would be desirable to introduce in its place a free-price system. The main fault of the present competitive price system is that it is a manipulated and simulated price system, it assumes constant, official intervention, measures, and "price bargaining," and it does not form prices through the competition of the sellers. It also has a latent internal contradiction: In the case of its consistent implementation it would be necessary to give budgetary support to very many product groups. We must exchange this simulated price system for an actually competitive price system, which assumes the use of free prices. Naturally, not every price could be free--nowhere in the world is every single product freely priced--and the use of free prices would not signify "free competition." (Among other things because of the role of the state and moreover because of the oligopoly position of many enterprises.) But most of the prices are not prescribed by the price authorities. Given other conditions, this would mean the guarantee for the development of an actually competitive price system.

The development of a free-price system can be successful if we force the shortage phenomena into the background. To this end:

--Producer supports can be granted only in exceptional cases, we must not change the differentiation in incomes among enterprises with one-time supports and withholdings. This increases the enterprise risk and compels the enterprises to be economical with their current outlays and capital investments. Thus a shortage appearing on the production means market can be moderated. We have already made significant progress in restraining the use of producer price supports.

The enterprise risk is small even without producer supports, and enterprises spend lavishly when their costs are shifted by way of price increases. They can easily do this if there is a deficit budget: The deficit brings the enterprises supplementary sale revenues. Therefore, in order to strengthen budgetary limits on enterprises, it is also necessary to strive for increased savings in state budgetary outlays.

--An important shortage factor is the inflexible adjustment to structural changes in demand, and a great degree of friction. The friction can be ascribed to many factors. The informal intervention of various managing organs into the everyday affairs of enterprises, an excessive degree of production centralization, the small importance of small and medium-sized enterprises, a rigid prescription on enterprise production profit, the prevention of a broader profit, and the exclusion of competition from foreign producers. Where necessary both the shortages and the friction can be forced into the background, among other things by decentralization, the elimination of informal intervention, the establishment of various enterprise forms, and the broadening of the profile. Except for turning foreign competition loose on the domestic producer apparatus, we have made significant progress in these areas in a short time.

--In the past several years and increasingly in the coming years, the export volume which substantially exceeds the growth of import volume has exercised a strong attraction on the domestic market, and this will have a role, or



may have a role, on the increase in shortage phenomena. We can draw closer to the buyers' market--without accelerating inflationary price rises--only if the outflow of purchasing power will not be more rapid than the increase of national income serving internal consumption. The regulation of purchasing power requires characteristic measures, different on the market of production means and different on the market of consumer items, and in addition we would have need for the reform of the bank system.

The task is complicated because the relative supply surplus--necessary for a buyers' market--must be shaped in such a way that we must give freedom to enterprises operating with strict budgetary limits, and here we must lift a good part of the restrictions. (Apparently the task can be solved by having the bank of note issue circumscribe from above the entire production possibilities of the risk-taking enterprises through regulation of money circulation.)

On the "buyers' market" supply is able to force the price ratios in the direction of the outlay ratios (production price ratios), and with this: 1) The comparative advantages become recognizable; 2) the market automatism drives the production structure toward the comparative advantages. Of course, the price ratios will never adjust exactly to the outlay ratios, in part because of the relative surpluses and shortages and in part because of the quality factors of the commodities. But this is exactly what is necessary for the market mechanism to operate--profit differences based on price differences evoke changes in supply and production, and this is why the market automatism is also conducive toward quality improvement.

It is very important that the development of a well-functioning market automatism should serve not to eliminate the economic activity of the state but to make it more efficient. State regulation is essential for rapid and striking structural change. But the regulation must take place mostly through indirect means, the use of economic regulators, for example, more favorable credit conditions, tariff and amortization policy. State allocations can also be made to those enterprises which have demonstrated their viability under hard, competitive market conditions. (At present the managing organs can hardly rely on the market automatism, which often imparts false information.)

The continuous use of comparative advantages leads exactly to this result. It increases our export capability and--ceteris paribus--improves our terms of trade. (Because with the better exploitation of comparative advantages, there is an increase in the ratio of goods that can be exported at a better price and imported more cheaply. But a supply that adjusts flexibly to demand with only little friction makes the import of many items superfluous. Naturally, enterprises must be familiar with external market relations, and react rapidly to these. To this end, it is advisable as soon as possible to give to every suitably mature enterprise an independent foreign trade license. In my opinion, we should use a marginal (hatararfolyam) instead of an average-price exchange rate.

In a short commentary it is impossible to cover every important relationship, and thus I have mentioned only those tasks which we would be advised to solve in a short time, and not even all of these. Thus, for example, there is need for a new system of capital allocation, new methods of pumping capital from inefficient areas, and new means of employment policy. Among toher things, in order that at the macro-level the continuous structural change should be realized with the least possible ratio of accumulation. I am convinced that we can make significant advances even in a relatively short time. We can develop a management system which is much more simple than the present one, more surveyable, and much more efficient than the one we now have.

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SITUATION OF CONSUMER GOODS SUPPLY DISCUSSED

Budapest PARTELET in Hungarian No 11 Nov 82 pp 3-7

[Article by Miklos Andriko, state secretary in the Ministry of Domestic Trade: "The Level of Consumer Goods Supply"]

[Text] All in all the present level of our consumer goods supply corresponds to our economic state of development. We regard the exceptionally good level of our food supply and its maintenance as one of our basic tasks. Numerous commodities can now be bought regularly, shortages of which for a long time caused problems. Variety has been substantially expanded and the quality of many products improved. Shopping conditions are also much better. New department stores with a wide range of goods have been opened, the business network has been expanded: 10 years ago we had 5,000 square meters per 10,000 inhabitants and today we have 7,400 square meters.

Also, recent efforts have been successful; business responded to these to counter the shortage of goods caused by products that industry no longer produces, and by import interruptions. Cooperation among producers, foreign and domestic businesses has become more planned and somewhat more flexible. Most delivery contracts are signed in time, and more and more producers try to meet their obligations. A role is played in this by the fact that in certain trades the buyer's position has become stronger. Enterprises are more and more inclined to protest contract violations, and if necessary they exercise their forfeit penalty rights.

Business trade in recent years--at unchanged prices--has increased regularly. Combined efforts with industry, agriculture and foreign trade have increased the quality of supply parallel with volume growth. At the same time it must be acknowledged that some of the weaknesses in commodity supply are caused not only by objective factors. Some derive from the fact that with the modifications in the legal and economic regulator system we did not take possibilities adequately into account, or in a timely manner, and we did not adjust to them flexibly enough; marketing difficulties which arise from lack of interest, thoughtfulness, and at times irresponsibility also belong here.

Even with the most careful work it may happen that one or two products out of several hundred thousand will not always be available without interruption. Our economic situation does not always make it possible to have supply

according to demand: in part because of limits on our expansion of production capacity and in part because of limits on our import possibilities or the fulfillment of our export obligations, it may happen at times that only a limited quantity will be available to the population.

Neither economically nor politically is it a traversable road to narrow onesidedly the commodity supply or to make it impossible for the population to spend its acquired monetary income. Therefore, we constantly strive to see that the goods supply is in balance with the population's demand in terms of ability to pay. This is a decisively important problem because an imbalance between purchasing power and the commodity base is the breeding ground of corruption and the diffusion of bribe money: if there are insufficient goods, we may struggle as resolutely as we can against negative phenomena but in the end, to acquire the things he desires, the consumer is bound to pay the higher price, and only some will derive profit from this. And in this way, the public morale is damaged not only by the shortages but also by the resulting abuses.

The creation of a balance between supply and demand with a onesided increase in prices is, of course, also a road we cannot traverse. We need other effective means to restore, or maintain, the balance. Among these, I would like to mention the most important ones.

1. The present situation of our economy requires increased savings in imports. Therefore, in the coming period it is advisable for us to buy on foreign markets mostly those products which we cannot produce at home, or can do so only in insufficient volume, because of our geographical and production endowments. We must also reckon with the fact that we have relatively very few possibilities for imports to fulfill a role of expanded selection, and even fewer possibilities for us to use these as a means of competition. This circumstance means that commercial enterprise must require more strictly than ever a supply side according to selection.

We must bear in mind that the acquisition of basic import materials and spare parts needed to manufacture certain products may run into difficulties. Therefore, wherever this is necessary and rational we will support the substitution of imports with domestic production. The possibilities we have for this--inestimable, as it were--is shown by the fact that this year we replaced the import of 6.5 million dollars worth of domestically produced consumer goods.

2. Our interest and effort is to continuously expand our commodity relations with the socialist countries. To this end, in addition to supporting CEMA product specialization and increasing clearing trade, we must increase state and cooperative assortment exchange, border commodity exchange, and direct exchanges among department stores. Last year 17 percent of the total consumer goods imports came in this form. And if the commercial enterprises devote greater care to this method, we can have somewhat of an annual increase in the supply of goods on the domestic market from friendly countries. Greater possibilities than now are latent also in direct commodity exchanges with capitalist enterprises, for example, department stores.

3. Of particular importance is the production organization activity of trade which is directed at linking the small and medium-sized operations to an increasingly greater extent into the production of consumer goods demanded by the population that large industry cannot produce for various modernization and interest reasons, or cannot produce advantageously itself. At present, commerce is producing annually about 15 billion forints' worth of consumer goods. This includes in the framework of the industrial activity of the *afeszes* [General Consumer and Marketing Cooperatives] production of about 8 to 10 billion forints' worth of consumer goods--farinaceous foodstuffs, confectionery products, food condiments, polo shirts, ready-made clothes, kitchen scales, rust-proof serving dishes, certain small agricultural machines, and so forth.

We must also speed up this process in such a way that the commercial enterprises will be able better than now to use the possibilities of their own supplementary producer activities, and in this way contribute to expanding the commodity base and the range of consumer items.

4. An inestimable reserve, as it were, is latent in improving the quality of consumer goods. It cannot be disputed that the solution of problems related to quality are attainable primarily by creating appropriate incentives for industry and by assuring the economic conditions necessary for the development of good quality. But business also can have an important effect on the quality of manufacture. It is possible to conceive of the development of a system which will obstruct the manufacture or distribution of products which do not meet quality requirements. But the classical trade possibility still exists. We stimulate our enterprises to be demanding in making orders and to use the possibilities of price bargaining if they experience quality differences. This is not simply using a right, but it is also an obligation, a means by which it is possible to stimulate industry to improve quality, modernize products, or to intensify their competitiveness. Moreover, it must also be taken into account that poor quality products cause waste--in materials, energy, and manpower. Nor is it proper if through quality errors we force the population to frequent exchanges, additional purchases, and thus to greater money expenditures.

Quality improvement depends to a considerable extent on strengthening technological discipline, and the expertise used to deliver, store and handle goods. Accordingly and especially in the areas of food, furniture and so forth, it depends not only on the workers in that industry but also on business and to what extent the buyer will be satisfied with the quality. If we succeed in making progress in this area, the number of returned goods will decline considerably, for the great majority of consumer complaints is due to all grades of quality defects.

Much has to be done to improve the handling of quality complaints. In any event, we must try for a better understanding of the buyer's situation. A scratch or a spot on a piece of furniture may not seem important to the seller, but is a source of great irritation to someone who may have paid almost a year's salary for it, and has it constantly before his sight.

We must start using more vigorously those means which will better stimulate the enterprises to do higher level work and increase their willingness to take initiatives, their inclination for risk-taking, and their continuous renovation. We regard as such economic competition, the improvement of the organization system, the participation of private resources by increasing incentive in order to increase the population's supply, and so forth.

In harmony with the organizational development of management and at the economic level of its institutional system, business management is engaged in working out those conditions and methods which, in addition to increasing enterprise independence and responsibility, will stimulate the economic competition in commerce. Our goal is to have competition stimulate the organizations engaged in commercial activity to serve the consumers better, contribute to increasing economic efficiency and significantly simplifying the passage of commodity goods.

In the framework of the measures that have been taken, the rigid delimitation of activities by the commercial economic organs has been ended, and today any commercial enterprise and cooperative may extend the scope of its activities to retail and wholesale activity alike. The independence of the economic organs has increased in the selection of their profiles and scope of activities. Enterprises and cooperatives may expand the scope of the products belonging to their sphere of business according to the demands of their consumers and the requirements of competition, and they may also take over the tasks related to the final phase of production, for example, packaging.

The creation of greater incentive and the modernization of other means of regulation make it more and more possible for retail trade organizations to acquire an increasingly greater share of their commodity needs directly from foreign trade enterprises.

The development of competition is also served by the modernization of the management of network units. As a result, the new operational forms, network units operating in contractual and lease systems, are gaining ground.

Three-fourths of the shops and restaurants are small businesses. They handle about one-third of the total trade in this area. In certain lines like meat, vegetables, kiosk items, they handle one-half, or even two thirds. The contractual operation of shops is built on the direct and large-scale interest and independence of the shop manager. All in all, the operational experiences of the contractual units are favorable: their commodity supplies have improved, they adjust better to consumer demands--among other things by the hours they are open--and their service is also more cultured and attentive. Thus their activities are also worthy of note by traditionally managed businesses.

By using these experiences, we shall create the possibility next year for the shop managers in the large businesses to receive a broad scope of independence and have greater material incentive to adjust to local conditions.

I regard it as very important that the commodity supply should be the starting point of expanding organizational forms or of modernizing the commercial organization. To put it more concretely, the population should have access to the many products of industry and agriculture by the best and most simple routes. Thus the modernization of the organizational system and the development of competition is not a goal but a means to the improvement of supply and increased economic efficiency.

It is evident that we cannot count next year on an increase in commercial trade. This raises increased requirements on the composition of the goods supply, and thus on business inventories. Consumer goods inventories increased in the past 4 years at a slower rate than trade, and at current consumer prices they increased by about 30 percent. Before and after the 1 January 1980 price changes the business inventories were lower than necessary, and this also played a role in the fact that difficulties were evident in the maintaining of a continuous goods supply. Last year, commercial enterprises and cooperatives increased their inventories at a faster pace than trade. This was caused by the low-inventory and continuous supply requirement. Inventories in retail shop trade at present are like they were in 1978, sufficient for about 39 days.

It is not necessary to explain that neither low nor high inventories are good. One may cause a shortage of goods, and the other accumulates unsold products. It is both an enterprise and economic interest that we only tie down in inventories from the national income as much as is unconditionally necessary for a secure commodity trade, and will not lead to inventory accumulation.

Inventories are hard to judge on a "too much or too little basis," but we do not need to make special commercial calculations to note that we require stricter inventory management. In certain areas, the stored inventories, the unsold goods are much more than necessary. In the case of some products, the unjustifiably large inventory ties down or draws away money needed to acquire other goods for which there is a consumer demand. The financing system will also compel the enterprises to stricter inventory management. But we must choose the extent and the method thereof in such a way that it will not obstruct the necessary goods acquisitions by business enterprises. At the same time, we must require regular deliveries from industry and from commercial orders well tuned to the volume of demand, to composition, time and place.

Business enterprises must carry out their tasks under more strained management conditions. The combined, present retail and wholesale trade profit rates are on the average around 15 to 20 percent, and even with a considerable improvement in management only a modest profit attainment is possible. The profit rates are particularly strained in those lines where consumer items are in trade that have for the most part an officially fixed or limited price. This causes problems primarily in the retail and wholesale trade of food items.

In the coming period, the regulators and the managing conditions will also grow more strict in the business area because achievements thus far are not adequate to the creation of an economic balance. There is only a single course for the enterprises to take: further management improvement and better utilization of existing means and intellectual capacities.

In order to maintain a goods supply that is adjusted to demand with ability to pay both in volume and composition, we must conduct a selective commercial policy. This also means a certain ranking. We must know how to judge what must in any case be provided. Considering this, it is particularly important that there should be no temporary supply problems in basic foods and chemical items, or in certain clothing products (primarily children's clothing). Temporary shortages in certain basic items can cause problems that will keep us from catching up with ourselves in the supply of a given commodity, and only after a long period of time will the population be reassured and believe that the commodity will be continuously available for purchase. We must take care to see that supply problems in these products will not arise either for production--for example, material shortage--or commercial--for example, orders not placed in time--or for financing reasons. To this end, it is necessary that the enterprises and the managing organs be informed of the events affecting the goods supply of the population in order that the measures be taken in time to eliminate the shortages.

Cooperation between the managing organs and the enterprises, mutual help in the solution of problems is the condition for our protecting the present level of the population's goods supply. We must regard this not only as an economic but also, above all, as a political problem.

The party organizations must concentrate as in the past, but particularly now, on two basic tasks. We must support the economic leadership in the implementation of all initiatives which indicate an attempt to emphasize narrow enterprise interests. We must assist in the strengthening of relations among enterprises and in helping in the mutual exchange of information. At the same time, the party organizations must create close relations with the workers, and it must be understood that business can do a great deal to improve the public atmosphere, and for realistically judging the endowments of the country and its possibilities. It can particularly attain this if it not only arouses demands but above all strives to see that the buyer is satisfied with what he has bought, and also how he was served.

6691

CSO: 2500/61

# EFFECTS OF CHANGES IN TERMS OF TRADE EXAMINED

Budapest FIGYELO in Hungarian No 46, 18 Nov 82 p 9

[Article by Mrs Janos Juhasz: "Effects of Changing Terms of Trade"]

[Text] In foreign trade, the current degree of comparative advantages is influenced significantly by changes in the ratio and direction of export-import prices. It is common knowledge that in the past decade the deterioration of foreign terms of trade caused heavy losses for the Hungarian economy. Following the first oil price explosion, since 1974 the economy has been losing about 30-40 billion forints per year; that is, relative to conditions prior to the price explosion, this kind of revenue is missing. The annual drop in revenue is equal to 8-10 percent of the net national product.

Relative to the period prior to the 1973-74 world market price explosion, the terms of trade deteriorated by about 20 percent in both areas--and the resulting losses, of necessity, are annually "built in" to the economy.

The loss from the deterioration in the terms of trade--that is, the revenue not attained because of it--affects all areas of the economy and influences practically every economic or financial process. It affects real processes (i.e., production consumption and accumulation) as well as revenue and financial processes. But the loss from terms of trade affects certain spheres of the economy, that is certain revenue recipients (enterprises and cooperatives, the budget and the population), in different ways and in different measure.

Statistics has dual roles: On the one hand, it must examine whether the economy's accounting system, meant for the observation of macro processes, is suitable for reflecting the effects of deterioration in the terms of trade; on the other hand, it must determine what sort of new, supplementary indicators are necessary to understand sufficiently the "natural history" of this significant source of loss, to survey its effects and thus offer help in finding possible ways to defend against it.

The economy's accounting system, in our experience, performs the task it was meant to do well--that is, to show the main economic processes and their more important relationships. In this way, the effect of losses caused by changes in trade terms also shows up in the main indicators. In the final analysis, the loss from terms of trade, through revenue and financial processes, reduces the national wealth.



Moreover, it is necessary to work out a supplementary indicator system that can also answer specialized and detailed questions. First, we must ask: Is there an internationally, widely accepted system suitable for exactly quantifying of the degree of deterioration in terms of trade? Unfortunately, there is no such system. Therefore, we must weigh the advantages and drawbacks of numerous possibilities and select the solution that is the most appropriate for our circumstances. An example of special indicators is national revenue corrected for the loss in trade terms.

That is, in case of significant deterioration of foreign terms of trade, we lose a good portion of the products produced in international trade, so that relative to the previous situation, the amount of products for domestic consumption and accumulation will be less.

In the area of new indicator developments, there are successful ones, which have appeared in various analyses of the state of the economy, but more indicators related to this matter are still undergoing methodological research.

We must look back to the decade of the 1960's to judge the connections between foreign trade equilibrium and changing terms of trade. Then the foreign trade balance, in essence, was in equilibrium. It is true that this equilibrium succeeded only in the long run, through more or fewer oscillations. The oscillations, practically visible "to the naked eye," followed the accumulation cycles--thus, depending on whether we were in the running away or holding back cycle of accumulation, we alternated between export or import surpluses. However, the lack of equilibrium of the foreign trade balance, on the average, did not exceed 1 percent of the annual national revenue.

This situation changed radically after the 1973-74 price explosion in the world market. Beginning with 1974, the economy suffered 20-30 billion forints of exchange rate losses annually in the dollar exchange; add to this a further 15-16 billion forints in ruble exchange from 1975 on. Thus, taken together, in 1977 exchange rate losses reached 45 billion forints.

From the nearly a decade that has passed since the oil price explosion, the 4 years from 1974 to 1977 can, in many respects, be considered a "homogeneous" period. Generally, it was characteristic that the amount of exported and imported products remained in equilibrium or even some assets appeared. The value of the foreign trade balance, as measured by the current price, was determined by the exchange rate loss. Therefore, there was no surplus product usable by the economy behind the import surplus and the foreign credit taken out to cover it, but this amounted to financing the exchange rate losses. A further characteristic of this period was the rapidly growing production and domestic consumption, that is, the economy developed following the practice of the earlier period. This was also made possible by the easily obtainable supply of foreign credit.

There were attempts even then to restore the foreign trade equilibrium, but because of the unfavorable coincidence of several factors, these attempts did not succeed.

In reacting to the sustained deterioration in the terms of trade, on such a large scale, and to the perpetual worsening of international economic conditions, the necessary adaption can be conceived in two ways. First, through import and energy thriftiness, mobilization of economic reserves and restructuring enterprises are able to increase their effectiveness to the point that it will balance the deterioration in the terms of trade, will "out manage" it. Between 1975 and 1981, such improvements in effectiveness that might have made up for the lost revenue did not occur. In the analyzed period, the overall effectiveness indicator shows, on the average, 1 to 1.5 percent in annual improvement, and this is not enough to compensate for the loss. The second possible way: the economy acknowledges the unfavorable revenue position and adjusts domestic consumption accordingly; that is, it puts the brakes on capital investments and consumption by the public.

However, up to 1977 there was no limitation on domestic consumption. In other words, the losses affecting the economy as a whole were not felt by either the economic sphere (i.e., the sum of the economic units) or by the population, both sleeping "Sleeping Beauty's dream" while the mass of foreign debt grew from year to year.

In 1978, capital investment reached a maximum, and in connection with this, the foreign trade deficit exceeded all previous measures, reaching 57 billion forints. This year differs from the 1974-1977 period in that not only the loss from terms of trade but the lack of equilibrium in real processes also "helped" to swell the foreign trade deficit.

In the last 2 years of the 1970's, and also in 1981, the restoration of foreign trade equilibrium became a fundamental goal; the second method of adaptation, a radical check on domestic consumption, made headway.

That this cannot be a lasting solution is a different matter. In our national economy, the first method must ever gain ground--the improvement of effectiveness that partially offsets the deterioration in the terms of trade.

9918

CSO: 2500/50

## DIFFICULTIES OF 1983 ECONOMIC PLAN REVIEWED

Warsaw ZYCIE WARSZAWY in Polish 29 Nov 82 p 3

[Article by Henryk Chadzynski: "A Dramatic Choice"]

[Text] The reasons for the impatience with which the society awaits a radical and substantial improvement in the economic situation are understandable. Painful problems are suffered every day. Many necessary goods are lacking, and, at the same time, there is an increase in prices to a degree unknown during the whole period of the existence of People's Poland. Many families have problems with making the ends meet and managing the family budget. Questions arise: What next? What actions are taken to make the economy bounce back? When can these actions be expected to have a positive effect on the market? What is being done to distribute the cost of the crisis as equally as possible?

These questions received a general answer at the Tenth Plenum of the PZPR Central Committee. There has been some improvement in many areas of the industrial production. The statement: "At this time, it is not a question whether we will overcome the crisis but how soon we will accomplish it", confirms the fact that there is an improvement. It was decided at the Plenum that the improvement in the material conditions of citizens should be the main indicator of the progress in the fight against the crisis. However, the capacity for fulfilling the society's expectations is limited and depends on the level of the production and of the national product, especially, since the economy is carrying the burden of debts. In view of the limited resources and a sea of urgent needs, very difficult, dramatic choices have to be made. In order to fill one gap, many needs have to be left unfulfilled.

The completed labor aspect of preparing the proposal for the 1983 Central Annual Plan is the case in point. It is understandable why there is a tendency to quickly improve the standard of living. However, in reality, it will not be possible to accomplish it in the course of the next year. Thus, since the plan ought to be realistic, it should be spelled out on what can we count in 1983. According the main principle of the plan, we can count on stopping the decrease in the level of public consumption. The year 1983 will be significant in this respect, since in most economic areas the the process of bouncing back and the beginning of growth will take place.

This will also allow turning around the downward trend in the area of the living standard and to effect a gradual improvement in 1984.

#### On What Can We Count?

However, it so happens that in our planning the furthestmost horizon is always painted with pink paint, while the most immediate future is presented in dark colors. It is very difficult to bridge the gap between the colors. Currently it is even more difficult, because conflicting tendencies have to be reconciled. Thus, either the effects of the crisis will be softened and modest resources will be used to protect the society, or the resources will be earmarked to effect a faster push forward. In addition, there are many uncertainties concerning the implementation of the plan's principles in three basic spheres: foreign trade, agriculture, and the increase in the efficiency of the economy as a result of the reform.

These problems will affect balances and, consequently, the resources needed to implement the designated objectives. Thus, to avoid promising the impossible, the production will be balanced on different levels depending on the importance of a given sphere. The full balancing of the production and resources is projected for goods covered by the state-controlled system and the products covered by operational programs.

Here, however, there has been a significant change. This year, about a dozen operational programs had such a wide scope of objectives that it was impossible to implement all of them. In order to implement priority objectives there was a need for more of some materials, both produced in the country and imported, than the economy had at its disposal. However, there were practically few enterprises that did not implement at least one task for the operational program. At this time, this approach is more realistic. There will be six operational programs.

#### Six Operational Programs

Every program was a subject of detailed discussions and debates concerning its scope. It was finally decided that the programs will cover: 1) supplying agriculture and food industry in machinery, equipment, transportation means, spare parts, storage batteries, and tires; 2) production of clothing and knitted goods for children and youths; 3) supplying the domestic market in shoes; 4) supplying the health care in medications, medical equipment; and other goods; 5) supplying work forces in personal protection devices; and finally, after long discussions, 6) the most urgent needs of rail transportation. To sum up, this preferred area of operation programs was limited to about 15 percent of the value of the industrial production and to about 20 percent of the value of the basic raw and other materials.

But what about the rest of the supplying? Besides the areas for which the supplying is guaranteed in balances, i.e. the operational programs, the needs of the defense and the security of the country, products covered by the government contracts, and supplies for the units employing handicapped employees, several areas have been designated for priority supplying. They

include the production of fuels and energy, centrally distributed materials, construction of hospitals, production of fertilizers and insecticides, and the exports production. Unfortunately, this means the consolidation of the state control in supplying and exclusive sales of some goods for chosen units. These are short-term solutions that are contrary to the long-range solutions of the reform. It should be asked, to what degree this is caused by the dramatic collapse of the production and supplying and to what degree by the desire to consolidate, at any price, the old habits of functioning and the old organizational structures.

### Necessary Shifts

A slightly better supplying situation is expected. In general, the supplies of raw and other materials for the industry, from both the domestic production and the imports, are to increase 1.5 percent compared to 1982. However, the production increase will vary depending on socioeconomic objectives of the plan. This will allow for equal division of the supplies. Will the structural changes in the production be accomplished in practice? Will the tendency to protect employees stop plants from firing superfluous employees and directing those employees where they are needed? The time will show.

The plan assumes the 3.7 increase in the industrial production compared to this year's expected output. In the electro-machine-building industry the increase will equal 4.9 percent and in the favored construction of the machinery and equipment for the agriculture it will equal 5.5 percent. In the chemical industry, where the expected average increase will equal 6.9 percent, there will be the major increase in the production of tires for cars (37.8 percent), truck (31.2 percent), and tractors (42.7 percent). Only for the food industry there will be a decrease in production (1.9 percent), caused mainly by the expected decrease in procurement of slaughter livestock.

### Difficult Realities

The size of the 1983 production will not only depend on supplies of materials but also on the amount of the foreign exchange funds (they will be affected by exporting activities) and on the length of the work week. The production capacity will be the least significant limiting factor, and it will only concern some areas. On the other hand, the supply of goods and, consequently, the market situation, will largely depend on the degree to which the wage and labor problems are solved.

These harsh realities of the plan will influence the division of the national product as well. The economic boom will also be felt in the market, although with some delay, in the sphere of the standard of living, on the condition that the policy of ignoring economic laws is not continued. Thus, if we want to proceed in accord with the proposed postulates and limit price increases, we cannot pour money into wages without sufficient funds, and we cannot conduct the social policy that was not conducted even during the years of the peak boom. But these problems should be a subject of another discussion.

9959

CSO: 2600/117

NOVEMBER PRODUCTION DATA RELEASED

Warsaw. TRYBUNA LUDU in Polish 13 Dec 82 p 5

[Text] In November of this year the country's economic situation was characterized by the following phenomena:

- for the fourth successive month sold output of socialized industry was higher than in the analogous period of the previous year; from the beginning of the year output of the extractive industry had been at a higher level and since September this year there has been an increase in the output of processing industry;
- the growth in output was achieved with smaller employment; since May this year labor productivity, measured in terms of output sold per employee, has been higher than in the same months of last year;
- the procurement of slaughter cattle and hogs was larger than in last year; procurement of poultry and eggs was low, and procurement of milk was on the same level as last year;
- for the second month in a row the basic output of construction-assembly enterprises was higher than during the comparable period last year; despite a certain improvement in the situation, the implementation of tasks in housing construction is considerably behind schedule, progress in relation to the planned completion of investment has been poor, including the completion of public facilities;
- for the first time in many months socialized freight transports were higher than during the comparable period last year, which was due to an increase in rail transports and a smaller than hitherto drop in road haulage;
- there was a considerable increase in exports to both socialist and capitalist countries;
- market supplies were sufficient to cover needs arising from rationing, but there continued to be shortages of other articles, mainly industrial goods.

### Improvement Also in Processing Industry

In November this year, the output sold of socialized industry (in constant prices) was more than 8 percent higher than in November last year. The output of the extractive industry was 12 percent higher, and output of the processing industry was nearly 8 percent higher. An increase of 8 percent was also noted in the sales of small-scale industry. All subsectors of industry were marked by a growth in output in comparison with November last year.

The rapid increase in output in November contributed to a further lessening of the decline in output in comparison with last year--from 4 percent for the period January-October to 3 percent for the period January-November this year. In comparison with the period January-November 1979, the fall in output remains considerable and amounts to 15 percent.

During eleven months of 1982, compared with the same period last year, the extractive industry achieved a high rate of growth in output--10 percent. On the other hand, the output of the processing industry was 4 percent less than output during the comparable period of last year. Nevertheless, even more branches of industry are reaching a level of output higher than or approaching that of last year.

Since May this year, labor productivity, measured in terms of output sold (in constant prices) per employee in socialized industry, has been higher than during the comparable period for last year. Altogether, during the period January-November, output sold per employee was about 3 percent higher than in the same period last year.

### Procurement Dilemmas

In agriculture the procurement of butcher livestock in November was 21.8 percent higher than in November last year. At the same time, procurements of slaughter cattle were nearly 80 percent higher while procurements of poultry were more than 5 times less. The increased procurement of slaughter livestock related to adjustments in the number of livestock necessitated by fodder capabilities, has brought about a decline in the basic herd of farm animals which will contribute to a decline in procurements in the coming year.

Altogether, during the period January-November 1982, 0.1 percent less livestock was procured than during the comparable period last year and 28.8 percent less than during the same period in 1979.

The procurement of eggs in November this year was 26 percent less, and the procurement of milk 0.3 percent less than during the same month last year. Since the beginning of the year, the procurement of eggs has been down by 16.1 percent while milk procurements have been maintained at the same level.



## Construction, Transport, Exports

In November this year the basic output of socialized construction-assembly enterprises was 16.2 percent higher than in November last year. During the period January-November 1982 it was 10.6 percent less than basic output in the same period of last year and 34.6 percent less than in 1979.

In November this year the socialized housing construction industry completed 12.4 thousand dwellings, i.e. 61.6 percent more than in November of last year. During the period January-November, 18.1 thousand fewer dwellings (15.8 percent) were completed than during the same period last year. 66.4 percent of the annual tasks set out in the government program were completed. The number of dwellings completed in private construction was considerably higher than last year.

In November this year, freight transports in the socialized transport sector amounted to 92.9 million tons and were 1.5 percent higher than in November last year. During the period January-November 1982, freight transports were 14.1 percent lower than during the same period last year.

The increase in producer and retail prices contributed to an improvement in enterprises' financial situation. During the period January-October this year, socialized enterprises (excluding agricultural enterprises) achieved a positive financial result to the tune of 1046.7 billion zlotys.

The large-scale subsidizing of enterprises from the state budget continues as a result of the fact that many official prices have been established at a level below production costs. During the period January-October 1982, enterprises received additional funds from the budget amounting to 650.4 billion zlotys.

In foreign trade in November this year, compared with November last year, exports (in current prices) were 33.4 percent higher while imports were down by 2.5 percent. During the period January-November 1982, exports were 8.9 percent higher and imports 11.4 percent lower than during the same period last year.

During the period January-November this year, exports to socialist countries came to 413.6 billion zlotys and imports from these countries amounted to 470.2 billion zlotys, i.e. 18.8 percent and 3.1 percent respectively more than in the same period last year. The socialist countries' share in exports increased, during the period January-November this year, from 48.3 percent to 52.7 percent, and their share of imports increased from 54.0 percent to 62.9 percent.

## Lack of Equilibrium

During the period January-November this year, exports to capitalist countries amounted to 387.6 billion zlotys, and imports to 277.6 billion zlotys. In comparison with the same period last year, exports were down by 0.4 percent and imports by 28.5 percent.

Average employment in the basic sectors of the socialized economy--in industry, construction, transport and communications, and trade--was 316.1 thousand, i.e. 3.9 percent, lower than in November last year. In comparison with October of this year, average employment in November was 6.6 thousand higher.

In November this year, the average wage, including employee compensation (but excluding compensation for family members), in industry amounted to 13,924 zlotys and had increased by 63.4 percent in comparison with November of last year. At the same time, in processing industry it was 12,076 zlotys (an increase of 57.7 percent), in construction--12,589 (an increase of 52.8 percent), in transport--11,872 (an increase of 41.0 percent), in communications--9,831 (an increase of 43.3 percent), and in trade--10,112 (an increase of 52.5 percent).

The gross money income of the population in November this year amounted to 337.6 billion zlotys--an increase of 62.8 percent over November last year. Money expenditures of the population amounted to 294.3 billion zlotys--an increase of 75.6 percent. At the same time, expenditures on the purchase of commodities increased by 87.0 percent. In November this year, the population's funds increased by 43.3 billion zlotys, of which savings amounted to 20.8 billion zlotys and ready case to 22.5 billion zlotys.

In November this year, retail sales of goods in the socialized sector amounted to 252.2 billion zlotys--an increase, in current prices, of 94 percent in comparison with November last year. In comparative prices, retail sales were down by about 8 percent.

Supplies to the market of items subject to rationing were sufficient to meet the needs arising from the ration cards distributed. There continued to be market shortages of clothing, textiles, and also many other consumer durables and everyday items.

In October this year living costs increased for all groups of the population by about 2 percent in comparison with September.

9993

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## ANALYSIS OF PRICE STRUCTURE PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 43, 14 Nov 82 p 8

[Text] Price changes during this year will certainly be the subject of various detailed analyses when it is over and when complete data for the whole year are available. The large scale of the changes makes it necessary, however, to report on them now.

Not all the data have yet been added up and checked, but the main tendencies can be seen. Leaving aside for the moment producer prices and purchase prices (which are a separate problem), we deal below with: commodity prices in the socialized trade sector, including the price of food, alcoholic beverages, and nonfood commodities, the price of services, so-called free-market prices in private market transactions, peasant-market prices, and black-market prices.

The most up-to-date data concerning the prices of consumer goods and services purchased by employee households currently obtainable from family-budget surveys are for the first 8 months of 1982.

These surveys show that the index of food-price increases during 8 months came to 249.3 percent (an increase of 149.3 percent) and in September of this year--to 257.4 percent. The highest increases were in the price of fish and fish products (328.6 percent and 250.1 percent respectively). Analogous indices in the case of meat and meat products amounted to 297.4 percent and 329.8 percent; edible fats--296.0 percent and 320.6 percent. In addition, in August the index of price increases of dairy products, eggs, confectionary and honey, seasonings and other food products, was more than 250 percent. The lowest increases in this group of commodities were recorded in the case of tea and other nonfood items (214.5 percent), bread and cake products (223.1 percent), and catering (224.7 percent).

For the 8-month period, the index of price increases for alcoholic beverages amounted to 206.7 percent and in August to 204.4 percent.

The prices of nonfood items increased less than those of food items. For the 8-month period, the price-rise index of these commodities was 182.2 percent. In August this year (compared with August 1981) the index was 190.8 percent. The largest increases occurred in the case of household articles (240.6 percent for the 8-month period, and 264.9 percent in August).

In August, price increases of over 200 percent (compared with August 1981) could be noted in relation to: writing and drawing materials (259.1 percent); electrical household equipment (246.9 percent); sports and tourist equipment (130.5 percent); toys and games, comestics and toilet articles (202.1 percent). The following goods registered price increases in the range of 180-200 percent: tobacco products (192.2 percent); means of transport (192.2 percent); shoes (183.3 percent). Price increases of less than 180 percent were registered in the case of: heating fuel, lamp oil, gasoline, and lubricants for motor vehicles and musical instruments (174.2 percent); mechanical and optical precision instruments (173.1 percent); clothing (168.6 percent); textiles (169.1 percent); jewelry, gold, watches (163.2 percent); publications (154.5 percent); medical-pharmaceutical items (117.6 percent, an increase of 17.6 percent).

The index of price increases for services over 8 months amounted to 165.4 percent, and in August (compared with August 1981) -- 175.0 percent. Increases of more than 200 percent were registered only in the case of "tourism and recreation" (217.4 percent) and central heating, electric power, and gas (211.5 percent). Relatively high increases were noted in the case of handicraft services (198.8 percent), postal and telecommunications services (191.3 percent) and the health service, preschool care, and children's summer camps (171.1 percent). Lower increases were recorded in the case of education and upbringing, and culture and art (142.4 percent), public transport (122.0 percent), and housing services (116.0 percent -- an increase of 11.6 percent).

Free market prices in private peasant trading were registered by the polling method. Here, data were also available for September. Thus the index of price increases for wheat in September of this year (compared with September 1981) reached an average level for the country as a whole of 185.6 percent; rye -- 185.0 percent; barley -- 187.4 percent; oats -- 188.9 percent; potatoes -- 286.4 percent; meadow hay -- 173.8 percent; clover hay -- 175.5 percent.

The free-market prices of farm animals increased very little. In September of this year a milch cow cost only 14.2 percent more than in September 1981; a year-old heifer -- 22.8 percent; a work horse -- 43.9 percent; a year-old colt -- 46.8 percent more. An a piglet for breeding was much cheaper in September of this year than a year previously -- as much as 35.2 percent cheaper! Taking into account changes in production costs, it was thus 3 to 4 times cheaper. This confirms the danger, which we pointed out a long time ago, of a breakdown in the meat market by the second quarter of next year.

The Central Statistical Service also does separate research (also using polling methods) on peasant-market prices. Here, we possess data for September (in comparison with September of last year). From these data it seems that the majority of vegetables (white cabbage, cucumbers, lettuce, carrots, beetroot, leeks, pulses, beans, potatoes) as well as vegetable products (sauerkraut, pickled cucumbers) were selling in September this year at prices more than twice as high as those of September 1981. Prices below 200 percent of those for the previous year were noted in the case of tomatoes and onions (approximately 130.0 percent); parsley (approximately 190.0 percent); cauliflowers (approximately 180.0 percent); radishes (a little less than 200 percent).

The good harvest had a significant impact on the price of fruit this September. Apples were about 15-20 percent cheaper in September of this year than a year previously; pears cost just the same as a year previously, and plums were 10 percent cheaper.

The retail-trade prices of these vegetables and fruits were similar to those on the peasant market.

The indices of price increases for dairy produce and poultry on the peasant market also came to less than 200 percent; butter and cheese -- about 180.0 percent; eggs -- about 160.0 percent; live chickens -- approximately 130 percent.

The price of natural honey increased more than twice over on the peasant market (on average, from 383 to 714 zloties).

In the case of black-market prices, we do not, unfortunately, have any comparative data for the previous year. It is only recently that we have begun investigating these prices. The first research was undertaken in December last year; the second -- in March, the third in May, and the last in September of this year. This research shows that during the past three quarters, black-market prices have remained in general at a level more than twice as high as the "official" prices of given products. The highest level (415 percent of the official price) was reached in September this year by the black-market price of cocoa. A packet which cost 33 zloty in the socialized trade network cost 137 zloty on the black-market. Chocolate costing 61 zloty in the socialized sector cost 216 zloty (354 percent) on the black-market. Toilet soap with an official price of 18 zloty was sold on the black-market for 58 zloty (322 percent).

In September the ratios between black-market and retail-trade prices of alcoholic beverages were at a similar level. Relatively speaking, beer was most expensive (252 percent), together with wine (216 percent); a little cheaper were flavored vodka (192 percent) and unflavored vodka (189 percent). It has been estimated however, that the "flow" of vodka onto the black market has declined considerably. It generally occurred on days when the sale of alcohol was prohibited or when the trade network was unable to ensure a continuous supply of vodka over and above that which was rationed.

It is, however, worth noting that the ratio of black-market to official prices for unflavored and flavored vodkas in December of last year and in March and May of this year exceeded 250 percent and came to 300 percent. Should we not, therefore, take further steps to check this speculative market through a better organization of its distribution through the socialized trade network?

Only small differences were observed between black-market and official prices of pork with bone (22 percent) and beef with bone (44 percent).

On the other hand, salt pork was sold on the black market at considerably higher prices than in the socialized trade network (86 percent higher).

Data concerning the cost of living also throw some light on the scale of the increase of prices of consumer goods and services. It is estimated (also on the basis of family-budget surveys) that living costs of a family of employees working in the socialized sector were 111.3 percent higher in September of this year than a year previously (increase index -- 211.3 percent). The analogous index for worker-peasant households came to 215.0 percent; in peasant households -- 213.6 percent; and for pensioners and annuitants -- 221.8 percent. For particular months of 1982, these indices amounted to (in comparison with the same month of the previous year): in January -- 153 percent; in February -- 215 percent; in March -- 219 percent; in April -- 209 percent; in May -- 214 percent; in June -- 213 percent; in July -- 210 percent; and in August -- 211 percent. But these indices were lowered by the fact that living costs increased during individual months of 1981 (moving average). If we were to compare living costs in individual months of 1982 with their level in January 1981 (constant average), they would then amount to: in January -- 153 percent; in February -- 216 percent; in March -- 230 percent; in April -- 237 percent; in May and June -- 243 percent; in July and August about 250 percent.

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HOUSING CONSTRUCTION PROBLEMS, POLLS, DEVELOPMENT DESCRIBED

Current Housing Construction Problems

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 7-8, Jul-Aug 82 pp 35-36

[Article by (W. S.): "Certain Current Problems of Housing Construction" under the rubric "Information"]

[Text] This is now the fourth year of the continuing collapse of housing construction and there are hardly any grounds for stating that this situation will change markedly to the better in 1982. During the first 4 months of this year construction and installation enterprises released for occupancy a mere 26,900 apartments or barely 18.6 percent of the yearly plan.

Fulfilling the government's decision of several months ago, which ordered the drafting of a program for surmounting this construction impasse, the ministry of construction and building materials industry has outlined, among other things, the directions of action intended to reduce the materials-intensiveness and energy-intensiveness and to improve the insulation rating of housing construction. The measures being taken in this respect by the ministry, which also include a program for developing the production of the principal building materials, provide for expanding the scale of housing construction to 300,000 apartments in 1985 and 400,000 in 1990. The government plan for this year envisages the construction of 200,000 apartments, whereas the province governors declare--thus providing the first optimistic accent in this crisis situation--that about 220,000 apartments will be built.

As known, the construction and installation enterprises handling general construction, including chiefly housing, have come under the supervision of the voivodship [province] offices--by mid-May of this year. That decentralization already was carried out in 46 voivodships and extended to 231 construction enterprises. There is no doubt that such restructuring processes will, during the initial period of their introduction, adversely affect the efficiency of the enterprises. A factor that additionally complicates this restructuring is the traditional organizational structure of general construction which had been formed in most cases even before the 1975 reform of the country's administrative division, as a result of which it is not possible for most province governors to take over, along with the construction enterprises acting as prime contractors, the enterprises performing specialized operations in the capacity of sub-contractors (e.g. installation, electrical and engineering operations) as well as transport and equipment enterprises and social services enterprises.



Public criticism of housing construction in recent years has focused in particular on the excessive materials- and energy-intensiveness and low--both thermal and acoustic--insulation ratings of buildings and apartments. The steps being taken by the ministry of construction with the object of achieving marked improvements in these fields comprise design and research work and implementation as well as the building materials industry. Under the current economic reform, which is expressed in, among other things, the abandonment of the distribution-order system and the disbanding of associations, the main stimuli for undertaking measures to streamline construction should be economic mechanisms, which are the integral motors of the economic reform. Here the most effective stimulus should be the striving to reduce the hitherto high material costs which are due to, among other things, excessive materials-intensiveness that is partially attributable to the low effectiveness of the insulating materials used.

The current high materials-intensiveness of housing construction is associated with both the techniques of erecting structures and the insufficient exploitation of the possibilities for a thrifty management of materials through particular technologies (e.. broader spacing of load-bearing walls, the elimination of loadbearing partitions within apartments, etc.). Generally speaking, excessive amounts of materials are used in the construction process with the object of remedying defects or averting the consequences of the improper quality of other materials (e.g. adding more cement to concrete owing to the poor quality of aggregate or using higher-diameter reinforcement steel owing to the lack of steel having suitable dimensions). Available local raw materials are not being used, particularly in single-family housing construction, and secondary wastes such as soot, slag, glass rubble are not being adequately utilized in the production of building materials.

Since last year the construction ministry has been intensifying its work to restrict the materials-intensiveness of construction, primarily of housing construction. Detailed pertinent directives for the years 1981-1982 have been prepared and all the basic technological systems used in multi-family housing construction have been critically evaluated--particularly from the standpoint of excessive materials-intensiveness and insufficient insulation. The construction of additional large-panel plants has been suspended and the use of other, more materials-saving technical solutions on a broader scale has been recommended. Changes in large-panel technology have been introduced with the object of eliminating the most materials-intensive systems that do not meet basic technical requirements. The PZITB [Polish Union of Construction Engineers and Technicians] has organized a contest for a new frame construction system, and new solutions of systems and elements distinguished by a rational and thrifty utilization of materials are being worked out under the Program PR-5 "Comprehensive Development of Housing Construction."

Further program measures provide for:

--suspending until 1985 the use, in housing construction, of large-panel systems that warrant being retired owing to their excessive materials-intensiveness (the "Szczecin," OWT-67 and WUF-T systems in their original versions as well as the Wroclaw, Rzeszow and Czestochowa large panels);

--successive refinement of existing systems by means of, among other things, increasing the spacing of transverse walls, introducing framing elements, eliminating loadbearing

wall panels inside apartments, replacing heavy prefabricated triple-layer and clay-filled concrete exterior wall panels with cellular-concrete panels that are 18-21 percent lighter;

--replacing reinforced-concrete bathrooms with toilet modules and walls that are about 20 kg lighter per sq m of usable floor space;

--introducing, in single-family construction, materials-saving solutions that allow for a broader use of materials produced from local raw materials;

--reducing the consumption of cement by improving its quality and expanding the production of high-grade aggregates;

--using more widely lime, gypsum and lower-grade cements with additives as substitutes for portland cement in structural components with lower strength requirements;

--promoting the widespread use of cement additives and soot, which save about 10 percent of cement consumption;

--improving the system of materials management, strengthening the state's technical-construction supervision and investor supervision, and advancing occupational skills.

Some of the above materials-saving measures do not require additional outlays and can be achieved solely through organizational measures and technical and economic policies. But certain other measures will require investment outlays that are sometimes extremely substantial; this applies, e.g. to improvements in quality of high-grade aggregates and the expansion of their production (outlays of about 4 billion zlotys in old prices), the development of the production of the lime and gypsum industry (about 4 billion zlotys). The implementation of the program measures would serve to reduce the unit weight of the basic systems of housing construction by about 15-20 percent in 1985.

The energy-intensiveness of housing construction is closely linked to the low thermal insulation rating of exterior partitions. The consumption of fuel on centralized heating-plant systems and private heating of buildings in Poland amounts to about 60 million tons of standard fuel annually. The underestimation of the importance of energy conservation and of the effect which can be produced on it by an appropriate heat-intensiveness of construction is reflected both in the field of construction codes (liberal norms and directives) and in the production of building materials and the actual construction and maintenance of buildings. Domestic studies and foreign practice point to the possibility of saving about 30 percent of the current volume of the consumption of fuel for heating purposes by means of an adequate heat insulation of all heated buildings in this country. Of course, we cannot afford at present a complete and rapid conduct of this measure, especially in view of the limited possibilities for expanding the production of insulating materials. It is feasible, on the other hand, particularly given the current decline in investment projects, to at least introduce in new construction the requirement that exterior partitions be used in buildings with increased heat insulation. As shown by the conducted studies, the outlays on expanding the facilities for the production of heat insulating materials and prefabricated windows and doors with improved heat insulating properties

would be about only one-third as high as the outlays that would be needed during the same period on expanding fuel extraction and broadening the extent of heat sources, transmission networks and heating installations in the event that shipments of heat insulating materials for construction would not increase commensurately.

Recently the construction ministry has taken a number of steps to reduce the energy-intensiveness and improve the heat insulation of construction. Among other things, the draft of a new standard tightening the requirements for heat insulation has been prepared (with the permissible coefficient of heat penetration to be reduced to  $K = 0.65 \text{ Kcal/m}^2\text{h}^\circ\text{C}$  [kilocalories per square meter-hour-degrees Centigrade] from  $K = 1.0 \text{ Kcal/m}^2\text{h}^\circ\text{C}$ ). Window area requirements have been tightened to reduce it so as to fit the interior illumination standard. Exterior wall solutions for industrialized systems in which leakage and freezing occur were appropriately modified. A thicker insulating layer has been introduced for exterior wall elements in the OW-T system used in the coldest zones of the country. Double-pane windows for staircase landings began to be universally introduced in 1981, and the heat insulation of basement ceilings and top-storey staircase landings as well as of building entrances has been introduced. Reinforced window units with improved heat insulating parameters began to be used. The construction of additional mineral wool plants (in Malkinia and Zielona Gora) with a combined ultimate capacity of 120,000 tons a year is nearing completion.

Additional measures to reduce the energy-intensiveness and improve the heat insulation ratings of housing construction, as contained in the program drafted by the construction ministry, are as follows:

- introduction of tightened requirements for the heat insulation of exterior walls (as of mid-year 1982 in design work and as of 1984 in actual construction);
- adaptation of design solutions for exterior walls to the requirements of the new norm successively until the end of 1983;
- drafting of new design and materials solutions for multi- and single-family construction based on exterior walls with improved heat insulating properties;
- assurance of a rapid development of the industry producing insulating materials, chiefly mineral wool and cellular concrete of the lighter varieties as well as of fiberglass mats, designed not only for newly erected buildings but also for gradual heat insulation of the existing housing stock;
- more efficient heating of buildings during their construction by means of, among other things, their earlier connection to heating networks and the use of solid fuel-fired energy-efficient heating equipment;
- improved monitoring of the proper heat insulation of buildings during every stage of the investment process;
- modernization of curriculums and the initiation of training courses in structural physics and heat insulation in construction for the personnel of design bureaus, construction enterprises and investor services.

Some of the measures included in the above program will require a somewhat increased consumption of materials (e.g. in connection with the use of thicker exterior walls of cellular concrete and the strengthening of window and door units) but their net effect will be profitable since they will conserve energy (foreign experience shows that the outlays on improving the heat insulation of exterior walls in construction are recouped within 7-10 years). Some of the new production facilities (window and door units, cellular concrete, minor wall and floor elements, lightweight shielding walls) will not require at the present stage investment outlays from the central plan. The activation, during 1982-1990, of eight mineral wool plants (including two--in Malkinia and Zielona Gora--that are in the final construction stage) as well as of two or three lines for the production of fiberglass mats would require investment outlays totaling about 8 billion zlotys (in old prices).

The implementation of the above measures, intended to reduce the energy-intensiveness and improve the thermal insulation ratings of construction, would produce considerable savings of energy and primarily of the fuels used for heating purposes--on the scale of about 400,000 tons of standard fuel annually.

#### Housing Public Opinion Poll

Warsaw TRYBUNA LUDU in Polish 23 Nov 82 p 4

[Article by Mieczyslaw Wodzicki: "Build More, Share Justly (Assessment of a Poll)"; passages enclosed in slantlines printed in boldface in source]

[Text] /More than 2 months ago TRYBUNA LUDU had published comments received in response to the poll, conducted by the editors, on "How to solve the housing problem in Poland?" We asked this important question of scientists, political and socio-economic figures and construction experts./

Eighteen persons had responded to the poll, and its publication aroused interest expressed in letters and telephoned comments received by the editors. We wish to express our cordial thanks to all--both those invited to participate in the poll and those who wrote us letters on their own initiative.

Their opinions contribute to the discussion of a broadly conceived housing policy comprising economic, legal and technological problems. And these problems are extremely important and vital. /This is how they are regarded in the Resolution of the 9th Extraordinary PZPR Congress. The special importance of the problem has recently been stressed by the 10th Plenum of the PZPR Central Committee, at which housing construction was recognized as one of the five paramount social goals of the 1985-1990 National Socio-Economic Plan./

#### Program and Needs of the Population

According to estimates contained in the published comments, housing construction performed by industrialized techniques will be capable of providing some 200,000 apartments annually in the next few years, and after 1985 as many as 250,000 apartments annually. These estimates are in accord with their counterparts prepared by the government team.

Taking into account the possibilities of construction and especially the shortages of such basic materials as cement, steel and fuels, the respondents propose (as does the draft program of the government for the development of construction until 1990) that during the first stage, until 1985, the number of apartments built annually be increased to 300,000 and subsequently, until 1990, to 400,000.

Only such quantities can alleviate the growing shortage of housing. Let us bear in mind that that shortage had been estimated in 1970 at 1.3 million apartments. In 1980 it had risen to about 1.7 million. This year the number of adults on the waiting list for their own cooperative-built apartments amounts to 2.4 million. The Institute of Environmental Development estimates the housing demand at 4.5 million dwellings until the year 1990. To meet that demand entirely, 500,000 apartments would have to be built annually beginning in 1983. Such a target is not realistic, according to the respondents, given the continuation of the previous strategy in construction.

The variant concept of the NPSG National Socio-Economic Plan for the period until 1985 was criticized. Referring to the opinions of the Socio-Economic Council of the Sejm, the CZSBM Central Housing Construction Cooperative Union Council and the Institute of Environmental Development, the respondents point out that the concept of that plan--drafted by the Planning Commission--manifests contradictions. Its descriptive part suggests that a tangible improvement in the housing situation of the population can be achieved by the year 1990, whereas its part containing figures on the different variants denies this.

It was emphasized that the concept of that plan is in this context divergent from the government draft of the construction program. The increase in the number of apartments that--in the opinion of the Planning Commission--can be built by reducing construction cost 20-25 percent in all technologies, eliminating waste and introducing technological progress, is problematic.

/The respondents appealed for doing everything possible to make the program of June of this year a feasible program./

/The cause of the current housing crisis was--as, among others, wrote comrade Albin Siwak, member of the Politburo of the PZPR Central Committee--the elimination of the comprehensive mass participation of the public in the construction of apartments./ The authorities had at the same time assumed the duty of balancing the needs for housing, funds, and the construction and allocation of housing. In time, communal building was abandoned and the development of single-family construction curtailed. There arose a strong monopoly exercised by large housing cooperative organizations which precluded or markedly restricted the collective participation of cooperative members in the entire process of the formation and use of housing.

Roman Comi, a cooperative official, and Edward Salwerowicz, director of INWESTO-PROJEKT Main Cooperative Construction Center, pointed to the need to commit consumer cash resources on a scale greater than hitherto. /However, the marked rise in building costs that took place this year should result in a greater assistance by the state than had been anticipated in the government program./

The assumptions of credit policies as regards private housing construction were criticized. It was opined that, given the current cost of materials and building lots,

more attractive rules for granting construction loans should be issued by both reducing the vital interest rates charged on loans and granting larger loans.

The problem of markedly increasing "small-scale" construction elicited controversial responses. Some respondents believed that single-family construction on a mass scale should be discontinued, because we cannot afford it and it leads to wasteful use of land and materials.

But, among other respondents who favor the development of private construction, Prof. Stanislaw Tobolczyk perceives a chance and a need for the development of such construction if ineffective technologies were to be abandoned in favor of their modern counterparts based to a large extent on the use of manufactured insulating materials and limited quantities of cement and steel. Such single-family houses could be only a fraction as heavy and half as expensive as the houses built with traditional technologies.

Lastly, the third--and the most numerous--group of respondents /believes that private construction is indispensable to the solution of the housing problem in Poland/. In the opinion of that group, small houses should be built from any available materials. This idea was expounded with special conviction by comrade Albin Siwak, member of the Politburo.

#### A Simpler Path Toward an Apartment

Most respondents positively assessed the concept of implementing housing construction in the four fundamental investor categories: cooperative, communal--for the poorest strata of the population, labor establishment, and private.

Jan Golas, a director at the CZSBM, declared that in this way the desires voiced for years by the housing construction cooperatives, local authorities and inhabitants have been met. The cooperatives cease to exercise monopoly in construction and to have at the same time to release cooperative apartments for the needs of labor establishments and local authorities.

The surmounting of the housing crisis requires the cooperation of the authorities and the public. The duties of the authorities should include:

- balancing the housing needs and formulating a construction program acceptable to the public;
- providing construction with adequate funds for subsidizing and granting loans for various investor categories;
- promoting the activity of all groups of society through an appropriate system of guarantees and an appropriate loan and price policy;
- revising the construction codes and laws governing single-family housing construction;
- assuring the production of basic materials and equipment.

/Most respondents regard the domination of construction by large-panel technology as a cause of the housing crisis./ This technology has resulted in relatively insurmountable material, energy, financial and psychological barriers. Large-panel construction, in its present forms, requires huge outlays on the technical equipping of construction, absorbs large quantities of cement and steel, and eliminates the possibility of utilizing low-cost domestic and local raw and other materials.

The behest of the moment, according to Prof. Mieczyslaw Lubinski, is to prevent any further worsening of the already difficult situation. /Most of our respondents believe that for the next few years we have no choice anyway. We must utilize the "housing factories" /large-panel prefabricating plants/ because we have no other alternative technology./ According to the letter from comrade Wojciech Zacharski, secretary of the Environmental Committee of Design Bureaus in Warsaw, large-panel construction must, though, be modernized and adapted to climate conditions and construction needs.

In his turn, Prof. Stanislaw Tobolczyk, declared that large-panel construction, which has become a major factor in the construction crisis, cannot rescue us from that crisis. Thus, while we should temporarily utilize what we have, we should at the same time explore ways of rescuing construction from this morass. We have richly documented deposits of building materials--many plants for the production of regular and hollow bricks, roofing materials, etc. could be put into operation.

The development of construction will not be decided on the construction sites themselves. According to Marian Weglarz, director of the Institute of Construction Technology, the solutions drafted by scientists and designers must be more actively utilized to bring about a revival of construction.

/Scientists postulate: the duty of 'listening' to all proposals and utilizing the most valuable ones should be exercised by the construction ministry to a greater extent than it has done until now./ There exist known instances in which scientists have been trying for years to incorporate nonstandard and up-to-date solutions in the PR-5 government program which, had they been adopted earlier, could have already now proved of great benefit to domestic construction.

#### Bypass the Barriers

/The recovery of housing construction hinges--as all the respondents emphasized--on the restoration of effective principles of management./ First of all, it is necessary to restore the traditional economic-financial model assuring objectively substantiated prices and stimulating greater labor productivity in construction, proper discipline, conservation of materials and fair earnings for workers. This system consists in the restoration of detailed cost-estimating based on the actual material and manpower norms.

Prof. Mieczyslaw Lubinski wrote: "Under these conditions, the work force, which shares in the profits, becomes aware that the price of the construction project is fixed, that the project must be completed on schedule as specified in the contract or otherwise penalties will be charged that will reduce the profits. This will prompt the workers to complete operations on schedule and conserve materials. This should



result in lower costs. Cost estimates based on objective material and manpower norms will eliminate the cost of inefficient construction operations and the waste of materials and energy. The system of remuneration, too, should be based on an agreement on the work to be done. This will mobilize the work force for productive work and enable it to gain worthwhile remuneration."

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/Once more we wish to thank all our respondents, whose comments we published. At the same time we apologize for having to summarize some of the longer responses. We will, however, transmit the entire text of all the comments--including those which were not published--for consideration to the Ministry of Construction and Building Materials Industry, the Ministry of Administration, Local Economy and Environmental Protection and the Planning Commission under the Council of Ministers./

#### Increased Single-Family House Construction

Warsaw TRYBUNA LUDU in Polish 26 Nov 82 p 3

[Interview with Edward Salwerowicz, director, INWESTOPROJEKT Main Cooperative Construction Center, by Mieczyslaw Wodzicki: "Houses Not Only For The Rich" under the rubric "Housing Construction"; passages enclosed in slantlines printed in boldface/

[Text]/Single-family house construction. Currently 25 percent of all dwellings is built by this method. But the government program assumptions envisage that by the end of this decade that share is to rise to 40 percent of the total number of dwellings built. Some preparations to implement this premise have already been undertaken. The province governors are to determine the scope of private construction, allot land lots, draft projects for the related utility mains and other communal infrastructure, and develop the production of building materials./

/I asked the director of the INWESTOPROJEKT, Edward Salwerowicz, in Warsaw, how have urban planners and designers reacted to these government plans, considering that the external shape and scope of small [private, single-family house] construction will depend on them./

[Answer] Our office tries not only to act as an agent for housing construction coöperatives but also to devise certain model design solutions from among which the future investor could choose those most convenient to him. We are preparing designs of low-cost architectural solutions, which are particularly needed given the current rise in the cost of materials and services. So far, multi-family housing has been cheaper than single-family. We want to reverse this situation.

First, the Shaping of Tastes

/It seems to me that the solutions we propose make it possible for small construction to become cheaper than multi-family construction. For small construction does not

require the commitment of vast outlays on the construction of production plants and can instead be based on traditional materials of artisan origin and be less costly considering that a large part of the work is done by the private home builder himself."

[Question] For many years the country has been flooded with ugly design solutions of buildings, both in the countryside and in the suburbs of large cities. The work of your office displays attempts to resolve to some extent the existing disorder.

[Answer] This is a broader problem, since it concerns the general discipline of the spatial layout of buildings. Construction has neither represented good architectural solutions nor been adapted to local landscaping characteristics. What we had inherited in the 1960s or 1970s is not good testimony of our expertise.

/I believe that changing this tradition requires coordinated action by designers and the appropriate local services, which should provide broad-scale consultation to the public./ We too want to play a certain role in this respect. To this end, in addition to our design work, we are developing our publishing activities.

We are publishing catalogs offering designs by various architects. Three catalog editions have rapidly sold out. A fourth edition is being prepared. It will contain about 100 designs. In addition to the catalogs, we are selling, through agents, blueprints for discrete types of single-family houses which can be used to commence their construction.

/The latest designs give preference to cheaper and less spacious houses that can be erected by private home builders on their own./ By using simpler design and material solutions we intend to reduce the cost of private home building.

/The catalog itself--even if it were the best of its kind--cannot meet the rising interest of the public in private single-family home building..../

That is why we opened an information center at 32 Krochmalna Street in Warsaw where future investors can meet with an architect and, depending on their needs, select with his help the most suitable house design. Similar centers operate at the permanent construction exposition on Bartycka Street and in the bookstore on Zurawia Street.

/I believe that the demonstration of model houses built according to these designs offers the best possibilities for a choice--and hence also for shaping the tastes of the public. To this end, the housing construction cooperatives initiated the construction of model communities in certain localities of this country. The related work already is under way in Gdansk, Stalowa Wola, Starachowice and Katowice./

#### Real Chances

[Question] Many people believe that private home building is accessible only to the rich. Does it really have to be so?

[Answer] On the basis of an analysis of actual prices we estimate that the cost of building low-cost single-family houses should lie at a level corresponding to the

cost of multi-family housing construction, that is, /it should not exceed 20,000 zlotys per square meter/. Moreover, the elements contributed by the private home builder in the form of his own labor may reduce the construction cost by /250,000 to 300,000 zlotys/.

Even greater savings can be obtained by joint construction of communities, that is, when, e.g., the labor establishment provides the transportation, building equipment, etc. /Thus there is real reason to believe that the families living "on pension" and those with higher earnings can successfully undertake the construction of single-family houses./

We have started work on designing houses that can be built in stages. We prefer, however, designs providing for putting the final brick in place before the gradual finishing of the interior can be commenced. We widely use high-pitched roofs which, as the family increases in size, serve to adapt the attic for dwelling purposes. We propagate designs of the segment type--dense building development, which reduce the quantities of materials used, improve heating conditions and save building lots--which are scarce.

Contrary to appearances, another cost-saving form is the more spacious multi-generation houses. They are more expensive, since only total cost accounting is applied to them. On the other hand, when allowance is made for the cost per dweller and the social benefits (fewer nurseries, preschools and separate dwellings have to be built and older people are psychologically better off by cohabiting with grandchildren), it is clear that this kind of construction, too, should be taken into consideration.

1386

CSO: 2600/110

DECREE ON DEPARTMENT FOR CONSTRUCTION ABROAD AMENDED

Bucharest BULETINUL OFICIAL in Romanian No 97 Part I, 1 Nov 82 pp 3-12

[Decree of the State Council for Amending and Supplementing Decree No 234/1981 on the Founding, Organization and Operation of the Department for Construction Abroad and the Establishment of Measures Regarding the Activity of Construction Abroad]

[Text] The State Council of the Socialist Republic of Romania decrees:

Article I. Decree No 234/1981 on the Founding, Organization and Operation of the Department for Construction Abroad and the Establishment of Measures Regarding the Activity of Construction Abroad is amended and supplemented, having the following content:

Decree of the State Council  
on the Founding, Organization and Operation of the Department for  
Construction Abroad and the Establishment of Measures Regarding  
the Activity of Construction Abroad

Chapter I  
General Provisions

Article 1. On the date of the present decree there is founded, under the subordination of the Council of Ministers, the Department for Construction Abroad, which organizes and is responsible, over the whole national economy, for the achievement abroad, by the Romanian units, of the construction work and of the design and technical assistance in this field.

The department manages and is responsible for the achievement, under conditions of efficiency, of the work of industrial, housing, sociocultural, municipal, land-improvement, hydrotechnical-amelioration, agrozootechnical, water-well-drilling, feeder and water-supply construction that is done abroad by its own units.

In addition, the department coordinates and is responsible for the achievement of the construction work in the fields of road, railroad, ship and air transportation, electric power, drilling, petroleum, mines and geology that is done abroad by the construction units subordinate to the ministries.

Article 2. The Department for Construction Abroad has its headquarters in the municipality of Bucharest, is a juridical person and is organized and operates on the basis of the principle of economic, financial and valuta self-administration.

As a profitmaking body, the department fulfills the function of a general contractor, general supplier or specialized contractor, under the conditions of the law.

Article 3. The Department for Construction Abroad is the titular of the plan over the whole national economy in the field of construction abroad, which contains both the tasks of construction, technical assistance and design that are done by its units and the tasks that devolve in this field upon the ministries, in the capacity of a plan titular.

Article 4. The entire activity of construction, design and technical assistance for construction abroad is organized and performed on the basis of the principle of economic, financial and valuta self-administration, providing for the achievement of the valuta contribution planned for the work done, the designs prepared and the services performed.

Article 5. The Department for Construction Abroad and the units that do construction work abroad are obligated to pursue the execution of it on the basis of their own designs and ideas.

The materials, tools, equipment and other products needed for doing the work abroad will be provided from the country, under conditions of efficiency, in accordance with the provisions approved on contracting for the work.

The producing units and those that achieve designs and technical assistance are obligated to ensure that the products furnished, the work done and the services performed are at the level of the requirements of the foreign market and the exigencies of the foreign partners, under conditions of high efficiency.

Article 6. The organization of the activity of construction and technical assistance abroad must provide for the maximally efficient use of the construction equipment, the means of transportation and the capacities in the auxiliary production sections, the sensible management of the materials, the full use of the worktime, the occurrence of the production processes in compliance with the approved timetables, and the growth of the labor productivity and of the efficiency of the entire activity.

Article 7. The activity of construction abroad is performed in compliance with the Romanian legislation in the fields of the organization of and payment for labor, the execution of construction-assembly work, foreign trade and international economic cooperation and with the other legal provisions. In the performance of this activity, the provisions in the agreements and understandings concluded with the partner countries and the local legislation will be taken into account.

## Chapter II Duties

Article 8. The Department for Construction Abroad fulfills, in the main, the duties mentioned in the present decree.

### A. With Regard to the Construction of Industrial Facilities and Works, Other Engineering Work and the Preparation of Designs and Technical Assistance in This Field

Article 9. The Department for Construction Abroad is responsible for promoting the exportation of work, designs and technical assistance regarding the construction of factories, refineries, petrochemical complexes, technological lines and other industrial facilities that is done by its own units.

In addition, the department provides for the uniform coordination of the bidding for, contracting for and achievement of the work regarding the construction of roads, railroads, ports, airports, wellholes, mines, electric power stations and powerlines and other engineering work that is done by units subordinate to the ministries.

Article 10. The Department for Construction Abroad is directly responsible for the achievement, by its own units, of the work in the field of industrial construction, to which end:

- a) In accordance with the development programs and the exigencies of the foreign partners, it provides for the preparation of bids with modern, efficient solutions, by means of which Romanian designs, technologies, tools, equipment and materials are promoted;
- b) It takes steps regarding the utilization of technical and construction solutions and the introduction of modern working technologies that would utilize better the material, human and energy resources;
- c) It provides for the preparation of the timetables for doing the work, by correlating the dates for supplying the documentation and for delivering the technological equipment, materials and metal structures, and pursues the fulfillment of the obligations that devolve upon the participants in achieving the facilities and works;
- d) It takes steps so that in the preparation of the designs for construction-assembly and installations for the contracted facilities and works its own working solutions and technologies that would provide maximum productivity and efficiency are introduced into the designs;
- e) It devises working technologies according to types of work that would be utilized in achieving the construction;
- f) It provides for the achievement of the site organization and the production bases and organizes its own capacities for the production of aggregates for concrete, the prefabricated concrete parts and other such

needed for executing the contracts under conditions of efficiency and in conformity with the provisions of the substantiating notes for the approval of exportation;

g) It takes steps to mechanize to the utmost the execution of the work and organizes the production and efficient operation of the means of production and production capacities in shifts;

h) It organizes the execution of the work at the qualitative level established by means of the technical standards and the contract. It performs the quality control during the execution of the work and provides for the supplying of the apparatus needed for carrying out the laboratory trials and tests;

i) It organizes the performance of the mechanical trials and of the provisional and final acceptance, in conformity with the contractual provisions. It provides for the recovery of the bank guarantees and the collection of all the rights due.

Article 11. The Department for Construction Abroad coordinates and supervises the activity of construction abroad done by the units subordinate to the ministries and, together with them, is responsible for the execution of the work in a proper fashion, within the approved efficiency indicators, to which end:

a) It supervises the manner of preparation for the work, the devising of the timetables and the use of the working technologies;

b) It follows and analyzes systematically the stage of execution of the contracts and, together with the ministries involved, takes steps to provide the technical-material base and the work force and to achieve the work under the prescribed quality conditions and on the prescribed dates;

c) It checks during the execution of the work the compliance with the approved efficiency indicators and pursues the matter of collecting on schedule the rights due the Romanian party.

Article 12. The ministries that have under their subordination their own units for construction abroad fulfill, in the field of construction abroad, the following main duties:

a) They take steps to develop the activity of construction-assembly abroad, to promote and improve the Romanian technologies, to provide greater competitiveness in their fields of specialty, and to bid for and undertake work that provides for better utilization of the technical and production potential that they possess;

b) They are responsible for the achievement of the work on schedule and under the agreed quality conditions, in compliance with the provisions established on the approval of the contracting;



c) They implement the measures established by the Department for Construction Abroad with regard to sensibly utilizing the technical-material base and achieving the work under the prescribed conditions of efficiency.

Article 13. The units that achieve facilities and work of industrial construction abroad will pursue the conclusion of contracts with the foreign customers for the granting of technical assistance by Romanian specialists who would participate in putting the constructed facilities into operation and achieving their technological parameters and for the providing of service in the delivery of spare parts.

B. With Regard to Housing, Sociocultural, Administrative  
and Municipal Construction

Article 14. The Department for Construction Abroad is responsible for the promotion of the exportation of work, designs and technical assistance regarding housing, sociocultural, administrative and municipal construction and for the execution of it by its own units, to which end:

a) It prepares studies, designs and bids with efficient, competitive construction solutions adapted to the local specific character and seeks to have the work done according to its own designs and with materials of Romanian make and to provide from the country the supplies associated with the facilities built;

b) It provides for the preparation for and execution of the contracted work with construction equipment, means of transportation and supplies for site organization from the country;

c) It takes steps regarding the execution of the contracted work under conditions of efficiency in accordance with the timetables and the contractual terms, by providing the technical-material base and the work force at the right time and suitably organizing the production and labor;

d) It provides for the achievement of the work under the quality conditions set by means of the working documentation and the putting of the contracted facilities into use on schedule, the conclusion of the documents for partial and, as the case may be, final acceptance, the recovery of the bank guarantees and the collection of the rights due the Romanian party;

e) It takes steps regarding the good management and use of the materials on the sites, the construction equipment and the bases for housing the worker personnel.

Article 15. The Department for Construction Abroad takes steps to participate in international competitions and bidding set up for the achievement of facilities with a monumental and artistic character, pursuing the promotion of original solutions and of materials and supplies from the country.

### C. With Regard to Land-Improvement Work

Article 16. The Department for Construction Abroad provides for the development of construction work in the land-improvement field, pursuing the achievement abroad, by its own units, of irrigation work, drilling for water wells, feeders and water-supply installations, watercourse regulation, water-treatment installations, other hydrotechnical work, agrozootechnical construction, soil-improvement work, ground reinforcement and other such, under conditions of efficiency and in compliance with the dates, quality and other obligations assumed by means of the foreign contract.

Article 17. In order to develop the exportation in the land-improvement field, the Department for Construction Abroad is obligated to provide for:

- a) The correlation, through the work timetables, of the dates for furnishing the documentation with those regarding the release of the land and the supplying of the materials and other products that are included in the work, pursuing strict compliance with the prescribed durations of execution;
- b) The planning and achievement of the site-organization work through the use of light, prefabricated and portable modular elements and the rational placement of them;
- c) The organization of the auxiliary industrial production capacities in conformity with the provisions of the substantiating notes;
- d) The organization of the achievement of the work in an even flow, with a view to continuous and constant use of the production capacities, the steady supplying of the workplaces according to needs and the efficient and full utilization of the personnel, in conformity with the categories of work that must be done;
- e) The achievement of the work at the qualitative level set by means of the contract, accomplishing strict control of production according to phases and at the end; the supplying of the apparatus needed for carrying out the laboratory trials and tests and for doing the quality control on the spot;
- f) The efficient and full utilization of the work force in conformity with the categories of work done;
- g) The preservation of the facilities until the doing of the acceptance in relation to the execution of the work, in conformity with the contractual clauses;
- h) The recovery of the bank guarantees and the collection of all the rights due.

Article 18. The Department for Construction Abroad and the Ministry of Agriculture and the Food Industry will pursue the matter of contracting for the granting of technical assistance by Romanian specialists who would participate in exploiting the land-improvement work done.

D. With Regard to Bidding and Contracting for  
Construction Work Abroad

Article 19. Together with the Ministry of Foreign Trade and International Economic Cooperation and the ministries that have under their subordination units that do construction work abroad, the Department for Construction Abroad is responsible for the conclusion of contracts at the level of the plan provisions, to which end:

- a) It organizes and provides for the prospecting of the foreign markets and takes steps regarding participation, under the conditions of the law, in bidding abroad in the construction field and in the actions organized in this field by international economic bodies;
- b) It takes steps regarding the preparation of bids at the level of the exigencies of the foreign market and the prompt resolution of the requirements of the foreign partners, devising model or module designs and modules of bids and model contracts;
- c) It prepares the notes for substantiating the construction work done by its own units, which it submits for approval in accordance with the law;
- d) It gives advice on the notes for substantiating the construction work done by the units subordinate to the ministries, for which purpose it analyzes: the provisions referring to the site organization, the use of the working technologies, the sensible utilization of the means of mechanization, the promotion of Romanian model designs, equipment and materials, the providing and use of the work force and the level of the efficiency indicators;
- e) It provides for the negotiation and conclusion of the contracts for the work that is done by its own units. It supervises the contracting activities in the units subordinate to the ministries and participates in the conclusion of the main contracts. It initiates and organizes actions of international economic cooperation for the achievement of facilities of great complexity or size;
- f) It pursues the conclusion of contracts for cooperation through its specialized enterprises, which have for this purpose the capacity of a general contractor, general supplier or specialized contractor, as the case may be.

Article 20. In the conclusion of the foreign contracts for the construction work, the aim will be to secure:

- a) The exportation of Romanian materials, equipment, tools, technologies, designs and services;
- b) Advantageous prices and terms of payment, insurance clauses, other clauses for and means of guaranteeing the rights of the Romanian party used in the practice of international economic relations;

- c) High economic efficiency in the action and a suitable valuta contribution;
- d) The development of long-term economic collaboration;
- e) The providing of all the clauses needed for concretizing the relations between the parties.

E. With Regard to the Activity of Design and Technical Assistance  
in the Field of Construction Abroad

Article 21. The Department for Construction Abroad manages, coordinates and is responsible for the design and technical assistance in the field of construction abroad, regardless of the subordination of the units that perform these activities, to which end:

- a) It takes steps regarding the promotion of Romanian technologies and licenses, the preparation of designs and other technical documentation, and the performance of the engineering services at the level of the exigencies of the foreign market;
- b) It provides for the promotion of materials, equipment, installations, tools and means of transportation from the country in the preparation of the designs;
- c) It provides for the sensible selection and utilization of the specialists;
- d) It takes steps to continually raise the quality of the design work and the engineering services in correspondence with the best achievements on a national and international level;
- e) It pursues the obtaining of high valuta efficiency and the achievement of all the rights due the Romanian party;
- f) It takes steps regarding the observance of the contractual terms and the other obligations assumed by means of the foreign contracts.

Article 22. For the construction work that it does abroad, the Department for Construction Abroad provides for the achievement--through the Studies and Design Center for Construction Abroad (ROMPROIECT) in the capacity of a general designer or through subdesigners--of the technical documentation, the working technologies, the site-organization plans, the ground studies, and the other work and activities corresponding to the obligations assumed by means of the foreign contracts.

For work and other activities achieved by the foreign partners, the department provides--through the Studies and Design Center for Construction Abroad (ROMPROIECT)--for the exportation of designs, technical assistance and other engineering services in the construction field.

Article 23. At the request of the Department for Construction Abroad, the ministries that have specialized design units under their subordination are obligated to provide for the preparation of specialized working designs and studies, on the basis of contracts concluded with the Studies and Design Center for Construction Abroad (ROMPROIECT).

F. With Regard to Developing, Planning and Providing Efficiency  
in the Activity of Construction Abroad

Article 24. The Department for Construction Abroad is responsible for developing and for planning, over the whole national economy, the activity of achieving the work of construction, design and technical assistance for construction abroad, to which end:

- a) It initiates actions and devises long-term programs that would provide for the continual expansion of Romanian exports through the execution of facilities, construction work, technical assistance, other engineering services and designs in the construction field;
- b) Together with the Ministry of Foreign Trade and International Economic Cooperation and the other ministries that have under their subordination their own units for construction-assembly abroad, it organizes and provides for the studying of the immediate and long-term trends on the foreign markets, with a view to substantiating the plan for foreign trade and international economic cooperation in the construction field;
- c) It prepares, together with the Ministry of Foreign Trade and International Economic Cooperation and the State Planning Committee, on the basis of the proposals of the ministries involved, the draft of the 5-year and annual plans for the whole national economy with regard to the activity of construction abroad, assigns the plan indicators to the subordinate units, participates in spreading, in accordance with the law, the plan targets among the domestic suppliers and provides for the reporting, over the whole national economy, of the achievements in the activity of construction abroad;
- d) It negotiates and concludes, in accordance with the law, agreements, conventions, protocols and other understandings for cooperation in the field of construction abroad and takes steps to apply them;
- e) Together with the Ministry of Foreign Affairs, it initiates actions for obtaining facilities and preferential treatment from other states for construction work abroad.

Article 25. The Department for Construction Abroad is responsible for continually increasing the economic efficiency of the activity of construction abroad, to which end:

- a) It provides knowledge of the foreign prices and their evolution in the field of construction and construction materials and of the other elements that make up the price of the facilities and construction work abroad;

b) It prepares studies and calculations regarding the efficiency of the activity of construction abroad, both for its own units and for those subordinate to the ministries, and takes steps or makes proposals, as the case may be, regarding the growth of the efficiency of the activity of construction-assembly abroad;

c) It organizes, under the conditions of the law, joint societies and other forms of cooperation with foreign partners, pursuing the better utilization of its own potential, the obtaining of profits and the promotion of Romanian exports.

Article 26. The economic ministries and the other central bodies supplying materials, equipment and other products for the activity of construction abroad are responsible for providing the technical, economic and functional characteristics suited to the achievement of the work at the level of the approved efficiency indicators and for delivering the accessories on dates correlated with the timetables for doing the work.

The extra costs in valuta caused by the failure to deliver the accessories on schedule and by the delivery of them with unsuitable quality are borne by the supplying units from the price of the accessories on exportation.

G. With Regard to Organizing and Providing for the Execution of  
the Plan Targets and the Foreign Contracts

Article 27. The Department for Construction Abroad is responsible for organizing, under the conditions of the law, on the basis of the principle of economic, financial and valuta self-administration, the entire activity of construction abroad achieved by its own units or by units subordinate to the ministries, to which end:

a) It founds and organizes abroad, under the conditions of the present decree, its own subunits that take over directly the execution of the contracts concluded. The achievement of the work is done by these units under the overall contract system;

b) It supervises and guides the activity of the units that do work abroad under the subordination of the ministries. The respective units are organized with the advice of the department, to which they are subordinate from the viewpoint of uniform management of the activity of construction abroad. The payment of the personnel of these units is done, under the conditions provided by law, through the overall contract system;

c) It takes mandatory steps regarding efficient use of the facilities and production capacities existing in the geographical zones in which several Romanian construction-assembly units operate, regardless of their subordination, and regarding use of the technical-material base, including through redistribution of the available assets;

d) Together with the competent central bodies, it prepares standards with a technical content, planning standards, standards on the preparation for

executing the work, financial and accounting standards, site-organization, labor and overall-contract standards specific to the activity of construction abroad;

ê) It organizes the activity of preparation, application and supervision of the work standards and quotas, taking into account the specific character of the different countries or geographical zones, and establishes measures for labor protection and for providing abroad the working and living conditions of the personnel.

Article 28. Together with the Ministry of Foreign Trade and International Economic Cooperation and the other ministries that have under their subordination their own units for construction-assembly abroad, the Department for Construction Abroad is responsible for the fulfillment of the plan for foreign trade and international economic cooperation in the construction field, to which end:

a) Together with the ministries that have tasks in the field of construction abroad, it provides for the complete, steady fulfillment of the plan provisions under conditions of high efficiency and the execution of the contracted work and services on schedule, in compliance with the quality conditions and the other provisions in the foreign contracts;

b) It pursues the growth of the efficiency of the activity through the utilization of new and improved technologies, the rational use of the means of production, the continual reduction of the consumptions, the providing of quality in the work, the growth of labor productivity, the reduction of the domestic and foreign costs, and the matter of collecting on time the rights due;

c) It takes steps to prepare for the execution of the work by its own units, securing the working documentation, the preparation and application of efficient and competitive Romanian construction technologies, the technical-material supply for the sites abroad, the suitable equipping of them and the work force necessary, including through the hiring of foreign personnel by the units abroad, under the conditions approved on contracting for the work;

d) It supervises the manner of preparation for the work done by the units subordinate to the ministries, the preparation of the work timetables and the correlation of them with the dates for furnishing the resources necessary. It supervises the execution of the work and the manner of use of the technical-material base.

H. With Regard to Providing the Technical-Material Base and the Worker Personnel for Construction Work Abroad

Article 29. Together with the other ministries and central bodies, the Department for Construction Abroad is responsible for providing the technical-material base needed for the execution of the work abroad by its own units, to which end:



- a) It prepares and substantiates its own technical-material-supply plan, on the basis of the consumptions provided in the documentation approved on contracting for the work and of the need established in accordance with the plan provisions regarding the development of the activity of construction abroad;
- b) It gives advice on the material balances, seeking to meet the need for materials both for its own units and for the units that do construction abroad under the subordination of other ministries;
- c) It provides for the supplying of materials and equipment to its own units abroad and the shipping and transportation of them under conditions of high efficiency, in compliance with the provisions of the substantiating notes;
- d) It provides for the supplying of the sites abroad in accordance with the provisions in the work timetables and takes steps to stay within the stock quotas set and to prevent the formation of excess and inactive stocks, through strict correlation of the supply with the durations of transportation and the substantiated consumption need;
- e) It provides for the sensible storage and management of the materials and equipment on the sites abroad;
- f) It establishes the need for spare parts for the fleet of construction equipment and means of transportation of the sites abroad;
- g) It establishes the need for new products that are included in the work that is done abroad, in order for them to be assimilated into domestic production;
- h) It makes proposals regarding the assimilation of new types of means of mechanization with higher performances and capacities, suited to the execution of the work under conditions of high competitiveness and efficiency and to the climatic conditions in the countries where they are to be used.

Article 30. The materials, installations and apparatus that are incorporated into the construction done abroad, substantiated and specified by the Department for Construction Abroad or, as the case may be, by the ministries that have under their subordination construction units abroad, are provided through the plan. For the deliveries that are made from the export plan of the supplying units, they have the obligations and rights provided by law for the activity of exportation.

Article 31. The construction equipment, means of transportation and other gear needed for doing the construction work abroad are listed in notes for substantiating the contracted construction work and are provided through the plan, with the financing being done from personal sources or from loans. Depending on needs and economic efficiency, these pieces of equipment and means are also provided from the valuta funds for the respective work approved in the substantiating note.

Article 32. The construction equipment, means of transportation and other gear needed for doing the construction work abroad, existing at units in the country, will be transferred or rented to the units that do work abroad.

In the case in which the ministries, the other central and local bodies and the construction-assembly units do not provide the equipment, means of transportation and other gear in accordance with the preceding paragraph, the Council of Ministers will decide about the transfer or rental of them.

The Ministry of Agriculture and the Food Industry and the National Water Council, each in their fields of activity, provide the means of mechanization specific to the work done by the ARCIF Enterprise and the apparatus for the laboratories needed for doing the ground studies, through transfer or rental from the subordinate units.

Article 33. The ministries, the other central bodies and the subordinate producing units are responsible for providing the technical-material means needed for doing the construction work abroad.

The approval of the Romanian materials and products used in the contracted work is done, under the conditions of the law, by the bodies and units mentioned in the preceding paragraph, with the agreement of the Department for Construction Abroad, on the dates that would provide for the manufacture and delivery of the products in accordance with the approved timetable.

The producing units are responsible for providing the spare parts for the entire period of operation of the equipment, means of transportation and other gear of the construction-assembly units abroad and for organizing the service activity.

Article 34. The Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, on the basis of the requests of the Department for Construction Abroad, will provide quotas and allotments, with delivery dates correlated with the dates promised in the foreign contracts, for the materials, apparatus, tools, means of transportation, equipment, spare parts and gear needed for achieving the facilities abroad.

Article 35. Together with the other ministries and central and local bodies, the Department for Construction Abroad is responsible for providing the worker personnel needed for the achievement abroad of the work and technical assistance in the construction field by its own units, to which end:

a) It substantiates the personnel need on the basis of which the State Planning Committee provides in the annual plans of the economic ministries and the county people's councils and that of the municipality of Bucharest targets with regard to furnishing the worker personnel, according to the training structure, according to trades and according to degree of training, and the funds needed for doing the work on the dates promised in the foreign contracts;

b) It establishes the scheduling for making the worker personnel available, within the framework of the plan provisions, pursues the observance of it and provides for the assignment and sending of the personnel to the workplaces abroad;

c) It pursues the rational use of the worker personnel abroad and is responsible for the strengthening of order and discipline and for the return of them on the prescribed dates and by the prescribed routes.

The return to the country of the personnel sent abroad in accordance with the provisions of the present article, without the approval of the department, before the end of the mission, is forbidden.

Article 36. The Ministry of Industrial Construction, the Ministry of Agriculture and the Food Industry, the National Water Council, the other ministries and central bodies, and the county people's councils and that of the municipality of Bucharest are obligated to communicate to the Department for Construction Abroad, within 30 days after the date of the adoption of the plan, the distribution of the number of personnel planned according to subordinate units and to provide for the making of the personnel available, with the agreement of the department.

The worker personnel employed at units in the country are considered detached to the department for the entire period that they work abroad.

The units mentioned in the preceding paragraph have the obligation to employ the detached personnel at the end of the mission, for which purpose the department will notify the respective units at least 30 days before the date stipulated for the return of the personnel to the country.

Article 37. The ministries that have under their subordination their own units for construction abroad are responsible for providing the technical-material base and the worker personnel needed for doing the work in conformity with the provisions of the approved substantiating notes and with the work timetables.

#### I. Other Duties

Article 38. The Department for Construction Abroad is responsible for applying in its entire activity the principle of economic and financial self-administration, to which end:

a) It prepares and approves, in accordance with the law, income and expense budgets for its own activity and that of the subordinate units, in the country and abroad, and provides for the precise fulfillment of them;

b) It provides for the preparation, in accordance with the law, of the balance of trade and the plan for collections and payments in valuta and takes steps regarding the fulfillment of their provisions and the obtaining of as high a valuta contribution as possible in the business activity in its field of activity;

- c) It prepares the investment, financing and loan plans;
- d) It organizes in the country the bookkeeping for the Romanian party, in accordance with the regulations in force, and abroad, in accordance with the local legislation. It prepares, in conformity with the law, the balance sheets, establishing measures for improving the economic and financial activity;
- e) It organizes and exercises the preventive financial control and the basic management control regarding the management of the material and monetary resources. It provides for the periodic inventorying of the assets in the possession of the unit;
- f) It provides for the expansion and use of the means of automatic data processing;
- g) It takes steps regarding the strict and precise observance of all personnel of the standards set by law and of the official duties and regarding the strengthening of order and discipline in work;
- h) It organizes and provides for the improvement of the vocational training of its own personnel, the testing of their knowledge, and the knowing of the laws, decrees, decisions and other regulatory acts.

Article 39. The Department for Construction Abroad can open accounts and receive loans in lei and valuta. The loans in lei for meeting the expenses needed for performing the activity of construction abroad are provided within the limit of the sums approved by means of the substantiating notes, for a period of at most 1 year from the date when the goods cross the border and, respectively, from the date of the making of the other expenditures.

Article 40. The Department for Construction Abroad fulfills, in addition to the duties mentioned in articles 8-39, any other duties and tasks that devolve upon it in the capacity of a central body and as an economic unit.

### Chapter III Organization and Operation

Article 41. The Department for Construction Abroad is run by the management council, which decides on the general matters regarding the activity of the department. The collective leadership of the operational activity of the department and the providing of the implementation of the decisions of the management council are achieved through its executive bureau.

The management council of the department and its executive bureau are organized and operate in accordance with Decree No 76/1973 on the Management of the Ministries and the Other Central Bodies of the State Administration on the Basis of the Principle of Collective Leadership.

Article 42. The Department for Construction Abroad has in its management the head of the department, a member of the government having the rank of minister, two deputy ministers and a state secretary.

The deputy ministers and the state secretary are appointed by means of a presidential decree and their duties are established by the management council of the department.

Article 43. The technical and economic council and the commission for economic efficiency are organized and operate, in accordance with the law, within the Department for Construction Abroad.

Article 44. The Department for Construction Abroad has the following organizational structure:

- a) The Directorate for the Plan and Finances;
- b) The Supply Directorate;
- c) The Directorate for Coordination, Organization and Control;
- d) The Personnel, Social and Administrative Directorate.

The following foreign trade units operate within the department:

- a) The Romanian Enterprise for Construction-Assembly (ARCOM), having as an object of activity the prospecting of the foreign markets, the conclusion of the foreign contracts for work abroad and the providing of the fulfillment of them, the conclusion of contracts for collaboration or association with foreign partners and technical assistance in the fields of industrial, housing, sociocultural and municipal construction;
- b) The Romanian Enterprise for Land-Improvement Construction Abroad (ARCIF), having as an object of activity prospecting, the conclusion of the foreign contracts for work abroad and the providing of the fulfillment of them, the conclusion of contracts for collaboration or association with foreign partners and technical assistance in the field of the work of land improvement, drilling for water wells, feeders and water-supply installations, watercourse regulation, water-treatment installations and agrozootechnical work.

The construction enterprises mentioned in letters a) and b) have a juridical personality within the framework of the foreign relations of foreign trade and international economic cooperation and bear toward the foreign partners the exclusive responsibility for holdings in connection with fulfilling the obligations assumed by means of the contracts concluded.

The organizational structure according to divisions and the maximum number of personnel in the apparatus of the department are those provided in appendices 1 and 2.\*

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\* The appendices are communicated to the institutions involved.

Article 45. The Department for Construction Abroad takes over, from under the guidance and control of the Ministry of Industrial Construction, the specialized foreign trade enterprise Romanian Enterprise for Construction-Assembly (ARCOM), which is reorganized within the department.

The takeover of the unit in the preceding paragraph is done with the assets and liabilities, the plan indicators and quotas of materials and allotments, the contracts in the process of fulfillment, and the subunits in the country and abroad.

Article 46. The pay approved by means of Appendix VI to Law No 57/1974, for the personnel in the apparatus of the ministries and the other central bodies, is used for paying the personnel employed in management, administrative and clerking positions in the apparatus of the Department for Construction Abroad.

The payment of the head of the department, the deputy ministers and the state secretary is provided in accordance with the fulfillment of the indicators in Appendix 3.\*

The personnel of the department are paid on the basis of quotas, in conformity with the provisions of Law No 12/1980 for the strengthening of worker self-management and economic, financial and valuta self-administration in the activity of foreign trade and international economic cooperation.

Article 47. The Department for Construction Abroad has in its production structure agencies, branches, sections, site groups, sites and other such units for doing work abroad. In addition, the department has under its subordination the following units:

- a) The Enterprise for Heavy Equipment and Transportation for Construction Abroad;
- b) The Constanta Supply Base;
- c) The Studies and Design Center for Construction Abroad (ROMPROIECT).

The units that are founded in accordance with the present article have the headquarters, the grade of organization and the organizational structure and are put into groups of branches in accordance with Appendix 4. The units operate on the basis of the principle of economic and financial self-administration, have a juridical personality and are organized in accordance with the legal provisions on the organization and management of the socialist state units.

Article 48. The Studies and Design Center for Construction Abroad (ROMPROIECT) fulfills duties of a foreign trade enterprise with regard to the conclusion and execution of foreign contracts for the exportation of

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\* The appendices are communicated to the institutions involved.

designs and studies prepared within the framework of its own activity, including with subdesigners, and for the granting of technical assistance and the performance of other engineering services in its field of activity.

Article 49. The matter of putting into grades of organization the units without a juridical personality in the Department for Construction Abroad, provided in Appendix 5,\* is approved.

Article 50. The Department for Construction Abroad organizes, under the conditions of the law, on the basis of the principle of economic, financial and valuta self-administration, agencies, branches, sections, site groups, equipment and transportation stations, sites and other such units for doing work abroad.

The model organizational structure for the department's branches abroad, provided in Appendix 6,\* is approved.

The number of personnel and the technical-material equipping of the department's units abroad are established by means of the note for substantiating the work, depending on its volume, the provisions of the foreign contracts and other specific criteria, under conditions of economic efficiency, taking into account as well the standards and quotas that are applied for similar activities in the country.

The payment of the worker personnel who perform their activity in the department's units abroad is done under the overall contract system.

#### Chapter IV Final Provisions

Article 51. Appendices 1, 9, 10 and 11 to Decree No 277/1979 and Appendix 5 to Decree No 468/1977 are amended in accordance with Appendix 7.\*

Article 52. The worker personnel reassigned under the conditions of the present decree are considered transferred in the interest of service.

Article 53. Article 5, Letter M, of Decree No 650/1979 on the Founding, Organization and Operation of the Ministry of Industrial Construction, referring to the duties of this ministry, is amended and will have the following content:

"M. It supports the activity of construction-assembly abroad, providing, in accordance with the plan provisions, at the request of the Department for Construction Abroad, the necessary means and work force."

Article 54. Appendices 1-7 are an integral part of the present decree.

Article II. The Romanian Enterprise for Land-Improvement Construction Abroad (ARCIF), within the Department for Construction Abroad, will take

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\* The appendices are communicated to the institutions involved.



over the foreign trade activities associated with the construction work in its object of activity from the ROMAGRIMEX Foreign Trade Enterprise and from the Group of Sites for the Execution of Work in Economic Cooperation with Foreign Countries within the Bucharest Trust for Land-Improvement Construction, subordinate to the Ministry of Agriculture and the Food Industry, and from the GEOMIN Foreign Trade Enterprise, subordinate to the Ministry of Mines.

The takeover of the activities, fixed assets, other assets, inventory items, plan indicators, quotas, allotments and contracts from the Ministry of Agriculture and the Food Industry, the Ministry of Mines and the Ministry of Geology by the Department for Construction Abroad is established by means of a protocol, within 30 days after the date of the present decree.

The takeover will be done on the basis of the balance sheet on 30 September 1982 and the actual inventories.

Up to the conclusion of the protocols, the Ministry of Agriculture and the Food Industry, the Ministry of Mines and the Ministry of Geology are obligated to provide further all the means and conditions needed for performing the activity.

Article III. Within 60 days after the date of the decree, the State Planning Committee, the Ministry of Finance, the Ministry of Foreign Trade and International Economic Cooperation and the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, on the basis of the proposals of the Department for Construction Abroad, the Ministry of Agriculture and the Food Industry, the Ministry of Mines and the Ministry of Geology, will submit for approval the changes that result from the application of the present decree in the sole national plan for economic and social development for 1982 and for the 1981-1985 period and in the state budget.

Up to the approval of the change in the plan indicators, the Romanian Bank for Foreign Trade will grant to the Department for Construction Abroad additional loans at normal interest, corresponding to the volume of work provided in the 1982 plan for the activities taken over.

Article IV. The furnishing of worker personnel for 1982 to the Romanian Enterprise for Land-Improvement Construction Abroad (ARCIF) and the Studies and Design Center for Construction Abroad (ROMPROIECT) is done in accordance with Appendix 8\* to the present decree.

Article V. Appendices 4, 5 and 10 to Decree No 276/1979 on Some Measures for Improving the Activity of Foreign Trade are amended in accordance with appendices 9, 10 and 11 to the present decree.

Nicolae Ceausescu, Chairman  
of the Socialist Republic of Romania

Bucharest, 1 November 1982.  
No 399.

\*The appendix is communicated to the institutions involved.

## Appendix 4

### The List of the Units That Are Founded Under the Subordination of the Department for Construction Abroad

<u>Name</u>	<u>Head- quarters</u>	<u>Object of activity</u>	<u>Grade and structure of organization</u>
1. Enterprise for Heavy Equipment and Transportation for Construc- tion Abroad	Munici- pality of Bucharest	The mechanized execution of the construction-assembly work on the sites of the Department for Construction Abroad The operation and maintenance of the construction equipment, tools, devices and means of transportation needed for mechanizing the work of the department	Special grade Group IV of branches
2. Studies and Design Center for Construc- tion Abroad-- ROMPROIECT	Munici- pality of Bucharest	It prepares technological plans for site organization for the work that the Department for Construction Abroad does abroad and exportation of designs, studies, technical assistance and engineering services in the department's field of activity	Grade IV and the organi- zational structure according to the appended organiza- tional chart*
3. Constanta Supply Base	Munici- pality of Constanta	The supplying of the equip- ment, means of transportation, spare parts, materials, pre- fabricated parts and apparatus for the construction and assembly work of the Depart- ment for Construction Abroad	Grade I Group IV of branches The organi- zational structure is of type I

\* The organizational chart is communicated to the institutions involved.

# Appendix 9

## Ministry of Agriculture and the Food Industry

<u>Name and headquarters of the enterprise</u>	<u>Subordina- tion of the enterprise</u>	<u>Object of activity according to main groups of products and work</u>
Bucharest ROMAGRIMEX	Ministry of Agriculture and the Food Industry	<p>Exportation</p> <p>International economic cooperation in the agricultural, zooindustrial and food-industry fields in the country and abroad; The formation of joint societies for production and marketing within the framework of its object of activity in the country and abroad; Associated equipment, installations and spare parts in the production of the Ministry of Agriculture and the Food Industry, which are not listed in the object of activity of other foreign trade enterprises; Seeds and planting stock; Drugs and medicinal products for veterinary use; Organization of agricultural crops through a mutual exchange of technologies, equipment, seeds and technical assistance; Foreign general supplier for the exportation of studies, designs, licenses, technical documentation, know-how and technical assistance and for the organization of agricultural units and the preindustrialization and industrialization of the agricultural products.</p> <p>Importation</p> <p>Fishing gear associated with industrial fishing; Licenses, studies, designs, technical documentation, know-how, technical assistance for factories, complex installations, and supplementary technological equipment and spare parts for the organization of agricultural crops, facilities for preindustrialization of the agricultural products for the domestic requirements and, in the capacity of a foreign general supplier, for the requirements of the actions of cooperation; Drugs and medicinal substances for veterinary use and biostimulants.</p>

Appendix 10

Ministry of Mines

<u>Name and headquarters of the enterprise</u>	<u>Subordina- tion of the enterprise</u>	<u>Object of activity according to main groups of products and work</u>
GEOMIN--Bucharest Enterprise for Economic Coopera- tion with Foreign Countries in the Field of the Mining Industry	Ministry of Mines	<p>The execution abroad of geologic pros- pecting and exploration for useful mineral substances;</p> <p>The execution abroad of exploratory drilling and construction work on mines and preparation plants and other construction-assembly work in the mining industry;</p> <p>The accomplishment of technological research, designs, studies, surveys, engineering services and technical assistance in the mining field for solid useful mineral substances;</p> <p>Participation in actions of cooperation with the foreign partners for prospecting for and exploiting solid useful mineral substances;</p> <p>Activities of production abroad and in the country through participation in actions of cooperation with the foreign partners in the fields of mining and copper, lead and zinc metallurgy;</p> <p>Exportation of complex installations and equipment for mining operations, plants for preparation of solid useful mineral substances and for processing of the mining products, within the framework of the contracted actions of cooperation;</p> <p>Leasing operations within the framework of its object of activity;</p> <p>Imports needed for the sites and the mining facilities for solid useful mineral substances, under construction abroad;</p> <p>Exportation and importation of concen- trates of nonferrous ores;</p> <p>Foreign general supplier for the complex exports in its object of activity.</p>

# Appendix 11

## Department for Construction Abroad

<u>Name and head- quarters of the enterprise</u>	<u>Subordina- tion of the enterprise</u>	<u>Object of activity according to main groups of products, work and services</u>
1. Bucharest Romanian Enterprise for Construction- Assembly-- ARCOM	Department for Con- struction Abroad	<p>Exportation</p> <p>Work of industrial, housing, sociocultural and municipal construction-assembly; Foreign general supplier, foreign general contractor or specialized foreign contractor for the work of industrial, housing, sociocultural and municipal construction-assembly; Specialized technical assistance.</p> <p>Importation</p> <p>Purchases, under the conditions of the law, needed for the sites abroad.</p>
2. Bucharest Romanian Enterprise for Land- Improvement Construction Abroad--ARCIF	Department for Con- struction Abroad	<p>Exportation</p> <p>Work of land improvement, drilling for water wells, feeders and water-supply installations, watercourse regulation, water-treatment installations and other agrozootechnical work; Foreign general supplier, foreign general contractor or specialized foreign contractor for the work in its line of activity; Specialized technical assistance.</p> <p>Importation</p> <p>Purchases, under the conditions of the law, needed for the sites abroad.</p>
3. Bucharest Studies and Design Center for Construc- tion Abroad-- ROMPROIECT	Department for Con- struction Abroad	<p>Exportation</p> <p>Studies, designs, technical assistance, other engineering services achieved within the framework of its own activity, including with subdesigners, in the field of the work of industrial, housing, sociocultural and municipal construction, agrozootechnical construction and land improvement.</p>

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STATE SUPPORT OF UNPROFITABLE ENTERPRISES DISCUSSED

Zagreb DANAS in Serbo-Croatian 16 Nov 82 pp 26-27

[Article by Selimir Janicijevic: "The Losers Are the Best Off: Why the State Protects Losers, Even Those Who Are Not Its Concern"]

[Text] Wherever a loss occurs, the law requires that a recovery program be drawn up, that the causes be indicated and the persons responsible identified. When all this is done, the losses are "covered" with money belonging to those who are operating profitably, and everything begins from the beginning. But what is envisaged by the Law on Amendments and Supplements to the Law on Recovery and Termination of Organizations of Associated Labor?

Seven years ago, in December 1974, for example, sugar prices rose at a dizzying rate on the world commodity exchange. Our 13 sugar mills were not producing enough to meet domestic needs, and the value of what was lacking was about 9 billion dinars of foreign exchange. At that point a very bitter discussion began of how many new sugar mills to build with resources collected from consumers by a considerable rise of the retail price.

When DNEVNIK of Novi Sad published the news that another 16 sugar mills were to be built, sources of information dried up completely, and this became a "taboo topic." Newspapermen were persistent in their search for information. The then president of the Economic Chamber of Slavonia was one of the very few to give interviews.

"That many new sugar mills! But that is nonsensical. We first of all have to decide why we are producing beets with such a low percentage of sugar, a beet that is more mangel-wurzel than sugar beet."

Ten New Mills

At that time we also learned something new from Dr Borislav Todorcic, a professor at the School of Agriculture in Osijek.

"The secret does not lie in machines and large investments, but in the land and the beet. Attention should be paid to the kind of sugar beet yields achieved by farmers in neighboring Austria."

We went to Austria and visited a sugar mill at Tulln along the Danube 50 km from Vienna. We talked with the manager of that old sugar mill.

"We know your problem. Until 3 years ago we also had a low yield like you do. From 100 kg of beets we were obtaining between 12 and 14 kg of sugar, but today we are getting more than 20. And the secret lay in the potassium, on which the amount of sugar depends. We did research and were successful. Invest as much as you can in research, in the land, in agricultural machines, in roads, but invest in new factories only when it is indispensable. It is best to update old ones. That is what we are doing. On the basis of your country's needs and the area you have planted to beets, if you increase the sugar yield from the beet by just 1 percentage point, you do not need to build a new factory. Infrastructure, industrial power plants and vats are fabulously expensive. It is more economical to update the old mills and to enlarge their capacity. In the world today sugar mills are profitable which process 800 cars of beets per day," the old expert in Tulln well-meaningly advised us, and at that time we faithfully presented it to the public.

No one listened to that advice. Over those 7 years 10 new sugar mills were built. At Zablje, Pecinci, Kovacica, Nova Crnja (Vojvodina), at Virovitica (Croatia), and at Ormoz (Slovenia), and the sugar mill of the Beograd Agroindustrial Combine will soon be put into test operation at Padinska Skela. Two more are under construction: at Sabac and Pozarevac (Serbia). We will soon have 23 sugar mills. Will there be enough sugar beets for all the mills? Seven years ago the cartoonist Ivan Kusanic had this comment to make on the scramble to build new sugar mills: "No sweat, said one beet to the other, soon each of us will have his own sugar mill." And it is well known that every sugar mill has its own "sponsor." Today all the new sugar mills have been recording losses for 2.5 years! Losses which, as we see, are being covered by raising the prices. Whereas today the world sugar price is at its lowest level, the citizens of Yugoslavia, who for 7 years have been making donations for sugar mills, are eating the most expensive sugar.

There are quite a few similar pet projects of political administrations in opstinas and republics, and their losses have been increasing year after year. In 1980 society sought to protect itself by adopting the Law on Recovery and Termination of Organizations of Associated Labor. How is it being enforced; more precisely, how are the losses being covered?

#### Bottomless Barrels

The law envisages a recovery program no later than 1 June of next year. The program must state the causes, the measures to be taken and the deadlines. An entity which is to carry out the recovery is sought on the basis of the program. This may be an organization of associated labor, a bank, or any other organization with the interest and resources to bail out such an organization. Up to 31 July of this year 18.4 billion dinars of losses had been covered in 728 basic organizations of associated labor out of the 28.5 billion in losses shown on year-end statements for 1981. As of the end of July that left 10.1 billion not covered in 322 basic organizations. It is a disturbing fact that those whose losses have not been covered include 110 basic organizations who



have shown losses for 2 years or more. The operating results for the first 6 months of this year show another 44 billion in losses, for which programs again have to be drafted and organizations found to carry out the recovery.

The destiny of the unsound and the unprofitable, of those whom we can rightly refer to as "bottomless barrels" in our economy, is the concern of sociopolitical communities, opstinas and republics.

According to a report of the Social Accounting Service of Yugoslavia (concerning progress in covering uncovered losses as of 31 July 1981), the recovery procedure had been completed in 891 of the 1,270 basic organizations operating at a loss, and it was still in process in 370. In only 9 basic organizations with a work force of 1,106 had bankruptcy proceedings been instituted. The law on recovery envisages establishment of accountability of all those who have contributed to the unsound business operation by what they have done or failed to do. The official report says: proceedings were instituted to remove 27 business management bodies, and in 493 OOUR's [basic organization of associated labor] proceedings were instituted to establish accountability. Does this mean that no one was responsible in the others?

Unfortunately the figures show that the recovery programs are mainly empty promises adopted to obtain resources. What happens afterward? By and large the same organizations come forth once again with requests for credit and resources. Whose funds are being used to cover the losses?

The money to cover the losses is kept in four cash drawers. First of all there is the resources of the basic organizations themselves, and they do not have to be returned. Of the 18.4 billion in losses which were covered, only 2.3 billion came from the cash drawer of the organization which had the losses or from some other organization which had money to give away. All the rest, which means 16 billion, must be repaid. How is it to be repaid if new losses occur in the very next year?

With the exception of the organization's own resources, the money to cover losses is located in opstina or republic funds and has been collected from work organizations which are operating profitably. And if that is not enough, and it usually is not, the banks figure as creditors. This, too, is actually money from those other 24,000 basic organizations and 3.5 million workers who are carrying on their backs those who to some extent through someone else's fault, but mostly through their own fault, have become indifferent to the word "loss." The politicians are now referring to this indifference as "socialization of losses." Is that all it is?

#### Protection

How is one to explain losses in the construction industry when we know that every one of the 520 opstinas in our country has its own construction firm. And more than that. According to the figures of the Social Accounting Service, our country's construction industry has a labor force of about 600,000 workers in 2,237 basic organizations, and we have the same number of managers and superintendents, the machinery varies from place to place, standards vary,

as do equipment, tools and structural components. And one out of every 10 organizations is showing losses.... The losses are being covered in various ways. Hopes are being put on higher prices so that debts can be repaid to banks and interest paid in amounts which are not small....

The awareness that nothing will happen to them if they show another loss the next year is confirmed year after year. This is even shown by the periodical statements for the first 6 months of this year. The figures show that the 3,039 organizations operating at a loss include 458 basic organizations, with a total labor force of 227,000, each of which has a loss of more than 20 million, while altogether they account for three-fourths of the total losses. What this actually amounts to is "protection"; they know in advance that someone will have to take care of them. Were the decisions on this made by the workers whose resources are being spent, there would be fewer and fewer of those who become inured to all the measures and efforts to put a stop to this practice.

Let us just mention the sugar mills again. Up to now we have not read anywhere that the losses occurred because of so-called subjective shortcomings. Only objective reasons are given: they lack imported parts, and they do not have foreign exchange. Residual fuel oil is imported. They say that sugar will have to be exported even though there is not enough on the domestic market. How quickly it is forgotten that the resources to build the sugar mills were collected from all the citizens of this country. No one has turned up to explain how those resources were spent and why it is that losses have occurred in the new factories. Certainly it is not just the workers in them who are to blame. But the recovery programs ought to place more reliance on how the land is cultivated and what it produces. Is there enough sugar in the beet, and who is to blame if there isn't?

#### A Paradox

Large losses have also occurred because in the organizations operating at a loss the expenditures are just as great, if not more, as in organizations operating profitably. It is an interesting datum that although there are restrictions on the payment of personal incomes, the number of those respecting them is negligible. The average personal income in the Yugoslav economy over the first 6 months of this year was 11,775 dinars. It was only 584 dinars less in organizations operating at a loss. The electric power industry is a kind of paradox; in its organizations operating profitably the average net personal income was 14,575, while in the organizations of that industry operating at a loss the average was 15,706! Bravo! The leaders are thermal electric power plants, petroleum refineries, and organizations in hostelry and tourism. Here are some examples: the Urinj-Rijeka steam plant, where a work force of 174 has an average personal income of 20,078 and a loss of 535 million dinars. The Sisak steam plant, with an average income of 20,219 and a loss of 393 million. The "Production" OOUR of the Pancevo Petroleum Refinery with an average income of 17,650 dinars and a loss of 1.1 billion dinars, and so on. The largest losses and the highest personal incomes. Isn't that strange?

It needs to be said that expensive short-term credits are obtained to pay personal incomes, usually through the intervention of sociopolitical communities, and that begins a strange chain. The credits represent the largest burden on income. Over the first 6 months of this year organizations operating at a loss paid out 19.9 billion dinars in interest, almost half of all their debts. Organizations operating at a loss had 27.2 billion dinars of net earnings, but they distributed twice as much--54.1 billion. Where from? From credit, of course. Nothing was left for accumulation and reserves.

Of those 54.1 billion dinars a goodly portion goes to sociopolitical communities to finance social services (education, culture, social welfare, health care ...). Organizations operating at a loss make contributions at rates fixed by opstina assemblies (520 opstinas and the same number of rates) according to the needs of their own self-managing communities of interest. During those 6 months 17.6 billion dinars were collected from the organizations operating at a loss for those purposes (mainly from credit which has to be repaid). Round and round it goes in a witch's dance in which associated labor does not have the last word.

#### Who Goes Under the Hammer

The Federal Secretariat for Finance has just drafted a proposal for enactment of the Law on Amendments and Supplements to the Law on Recovery and Termination of Organizations of Associated Labor. Five amendments and supplements are being proposed so that there will be fewer losses in the period to come.

Organizations which show losses will not have to set aside funds for mandatory pooling (for the undeveloped or certain priority capital investment projects). It is also provided that the banks will bear a portion of the liability if they extend credits to organizations whose performance is poor. They will have to write off interest on credits or defer payments of credit for capital investment.

The responsibility of the entities of workers' management and professional management is being tightened considerably: recall and replacement. The right to take over the recovery program is also being expanded. The workers themselves are to adopt the production program, the production plan and the development plan. Provision is also made for retraining workers who are redundant.

And finally, when all the recovery measures have been exhausted and losses are still occurring, bankruptcy and liquidation proceedings are instituted. Only the railroads and enterprises in postal, telegraph and telephone service and the fuel and power industry would be exempted from these measures.

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